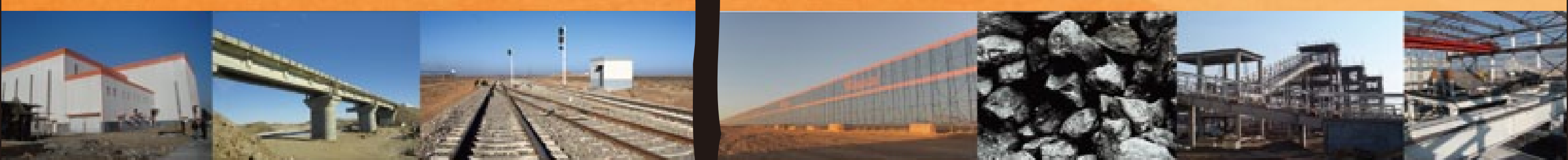
WINSWAY®

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



2010 ANNUAL REPORT

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About Winsway Coking Coal

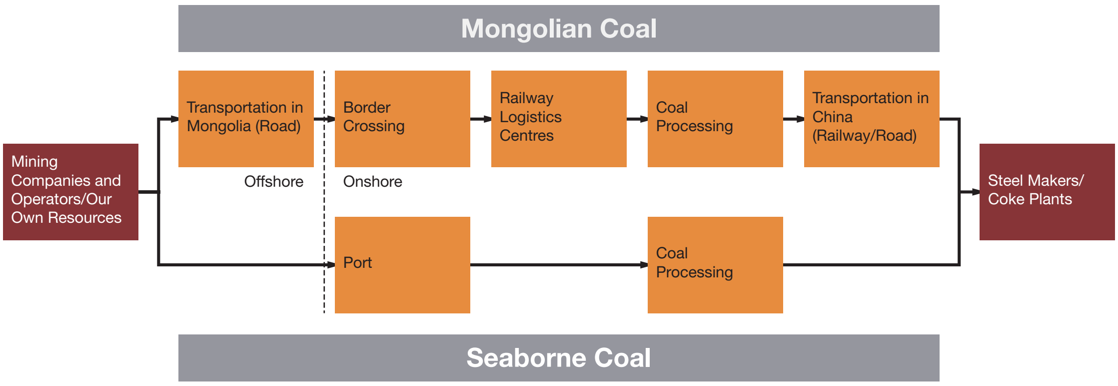
Winsway Coking Coal Holdings Limited is an integrated logistics service provider that facilitates the import of coking coal from around the world to feed Chinese steel makers' ever increasing demand for coking coal. Through our integrated logistics service platform, Winsway sources coking coal supplies from around the world, arranges transportation via trucking, railway and shipping both domestically and overseas, facilitates the border-crossing process at the Sino-Mongolian and Sino-Russian borders, processes and upgrades raw coal into clean coal, and maintains customer relationship with some of China's largest steel makers and coke producers located primarily in the coastal provinces of China.

Our end-to-end service platform consists of strategically located land banks on which our infrastructure is built, including office buildings, stockpile areas, enclosed storage areas, railway logistics parks managed by exclusive joint ventures between Winsway and the Ministry of Railway's Hohhot Railway Bureau ("Hohhot Railway Bureau"), coal handling and processing plants, seaports that will accommodate Panamax ships, etc.

We currently operate two border crossing facilities at Ceke and Gants Mod on the Sino-Mongolian border. In addition to expanding the facilities at these two locations, we are also in the process of building three more Sino-Mongolian border crossing facilities at Erlianhaote (aka Erenhot), Mandula and Zhu'Engadabuqi, and two Sino-Russian border crossing facilities at Manzhouli and Suifenhe. These border crossing facilities, together with our railway facilities and coal handling and process plants located at Urad Zhongqi (aka Jinquan) and Jining, are built to service the entire resource base of landlocked Mongolia and Russian Siberia. New facilities are also under construction on the east coast to accommodate our seaborne imports.

Currently, the majority of our coking coal supplies come from Mongolia, with imports from seaborne sources such as Australia, Russia, Canada and the US as a significant complement to our core Mongolian coking coal business. In the future, we expect Russia will also become a significant source of coking coal supply through our two land ports as well as Longkou port and Bayuquan port, the two sea ports under construction. Our customer base consists some of China's largest steel makers and coke producers, the majority of which are located in coastal regions of China where more than half of China's steel is produced.

About Winsway Coking Coal

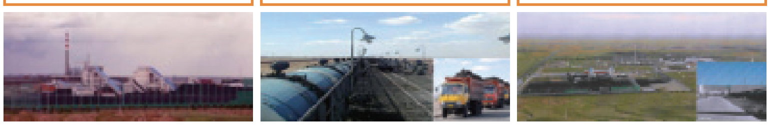


Strategic Infrastructure Investments at Border Crossings

Logistics Expertise to Transport Mongolian Coal to Our Customers

Significant Coal Processing Capacity at Strategic Locations

Logistics Parks at Border Crossings | Railway + Road | Coal Processing Facilities



Major Events in 2010

April 2010	Winsway closed pre-IPO financing with HOPU, China Minmetals, Silver Grant and ITOCHU, raising USD120 million in total.
April 2010	Winsway signed a 3-year strategic alliance agreement with an undisclosed Mongolian supplier.
April 2010	Winsway signed a 10-year strategic alliance agreement with Tavan Tolgoi Corporation.
June 2010	Winsway and Peabody Energy entered into a 50-50 joint venture which holds over 50 coal-related licenses in Mongolia.
July 2010	Annual processing capacity of Winsway's Urad Zhongqi dense-medium coal processing plant increased to approximately 6 million tonnes.
July 2010	Winsway entered into a strategic alliance agreement with Marubeni.
October 2010	Winsway was successfully listed on the Main Board of the Hong Kong Stock Exchange, with the retail tranche approximately 42 times over-subscribed and the institutional tranche over 8 times over-subscribed.
December 2010	Winsway entered into a 5-year strategic alliance agreement with SouthGobi, pursuant to which SouthGobi will supply no less than 2 million tonnes of high-quality coal to Winsway each year.
December 2010	Winsway successfully completed the construction of coal washing plants at Jining and Bayuquan as well as railway loading stations at Jining and Erlianhaote. Operations will commence upon successful test runs of these facilities.

Chairman and CEO's Statement

Dear shareholders and employees,

I would like to take this opportunity, the first annual report of Winsway Coking Coal Holdings Limited, to thank all of you for your support and conviction in Winsway's future growth. Our employees, many of whom work in the inclement climate of Siberia and the Gobi, have demonstrated great commitment to the growth of our Company. I would like to thank them for their dedication and wish them a fulfilling experience in the years to come.

2010 has been a milestone year for Winsway. Not only did the Company successfully become a public company listed on the Main Board of the Hong Kong Stock Exchange, we also achieved significant growth in our core business. Our growth benefited from several powerful underlying forces. The continued high single-digit growth of the Chinese economy fueled strong demand for steel. Structural shortages of coking coal globally have provided a strong floor for coking coal prices. Specifically, a significant domestic supply and demand imbalance and the deteriorating quality of domestic coking coal production has turned China from a net exporter of coking coal historically into a major importer of coking coal. Chinese steel makers also demand high-quality hard coking coal to improve production efficiency and to reduce emission of pollutants. All these factors, coupled with China's desire to diversify its resource supply bases, will continue to provide strong momentum for our growth going forward.

In 2010, we embarked on a major expansion plan which will dramatically increase the border-crossing efficiency at the Ceke and Gants Mod stations at the Sino-Mongolian border crossings. It will also see the commencement of construction of several other border and inland facilities at or close to the Sino-Mongolian and Sino-Russian borders, as well as two port facilities with coal processing capacity on the north-east coast of China. The build-out of this infrastructure is expected to be completed in tandem by the end of 2012, allowing us unparalleled capacity to service the land-locked resource bases of Mongolia and Russian Siberia as well as seaborne coking coal. Our plan for the construction of these infrastructure projects has been made after fully taking account of the potentially dramatic increase in production from these regions in the near future. We believe what we do will significantly ease the bottleneck which is the most severe hindrance to the development of these regions' resource industry: logistics and infrastructure.

Moreover, as stated in our IPO presentation, as an integral part of our business plan we will pursue a cautious upstream strategy in order to fully utilize the integrated logistics service platform we have built. Given the acute shortage of high-quality coking coal globally and in China in particular and the quality deterioration of domestic coking coal production, we have a strong conviction about the increasing long-term value of coking coal. However, we do recognize that without an expert mining partner, this strategy may bring more risks than we can manage. Our partnership with Peabody Energy in Mongolia is a prime example of the necessary steps we have taken to mitigate these risks. In the future, it will be one of our priorities to secure stable upstream supplies through multiple channels.

The success of Winsway is a result of our parent company and affiliates' decade-long experience operating in China's northern borders and our employees' hardened dedication. Equally important is the strong working relationship that we have forged with our partners: our suppliers from around the globe, our customers located in China's various steel production centers and the operators of China's efficient railway system. To them we owe our success and we pledge to continue to work with them in a mutually beneficial manner, creating value

Chairman and CEO's Statement

for their stakeholders as well as for our own. We believe in the eco-system that we have helped build over the past few years in which all the parties rise and fall together. By becoming a public company, Winsway is confident that it can show our partners and the investor community at large that Winsway plays a major role in this eco-system in a sustainable and transparent manner.

We believe 2011 will witness yet another year of tremendous growth at Winsway. The end of the expansion at Ceke, Gants Mod and Urad Zhongqi (aka Jinquan), together with the newly completed facilities at Erlianhaote and Jining will strongly compliment the dramatic ramp-up in production from our Mongolian suppliers. A significant and essential supplement to our Mongolian coking coal procurement, Bayuquan and Longkou will both have significant capacity to accommodate our seaborne strategy. We hope what little we do here at Winsway will help China alleviate its thirst for coking coal, help address the global coking coal supply-demand imbalance by effectively injecting more supply into the system, and help bridge the gap more efficiently between our trusted suppliers from around the world and our customers located throughout China's steel production hubs. Most importantly, we hope that our shareholders, our suppliers, our customers and our employees will have a rewarding journey with us together in 2011 and beyond.

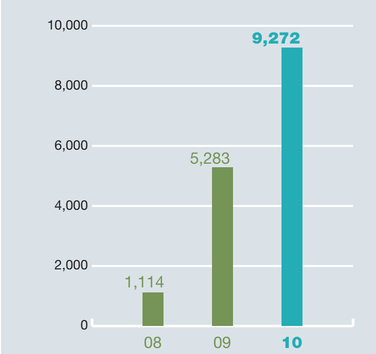
Sincerely yours,

Wang Xingchun
Chairman and Chief Executive Officer
Winsway Coking Coal Holdings Limited

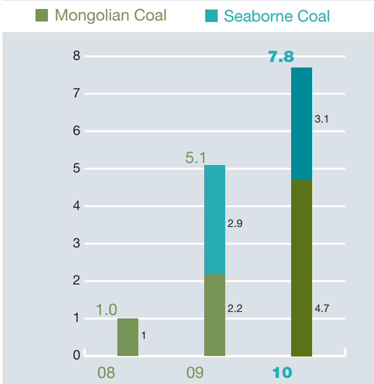
22 March 2011

Financial Highlights

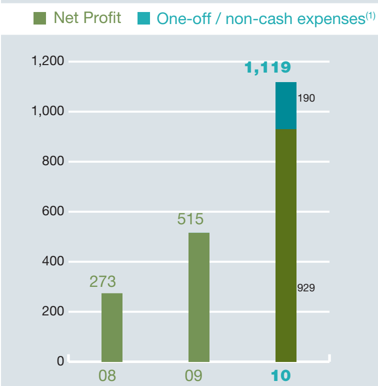
Total Revenue
(HKD in millions)



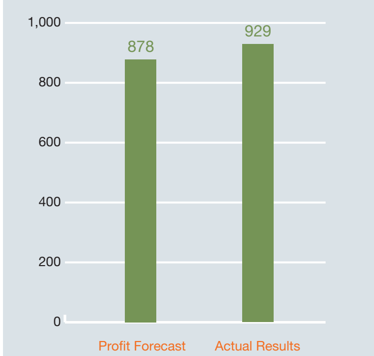
Total Sales Volume (million tons)



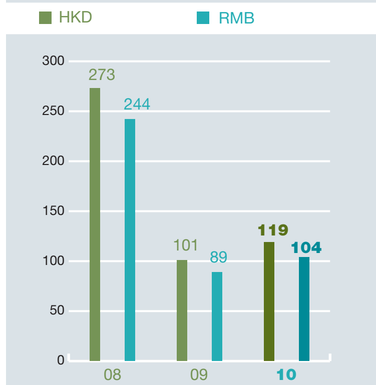
Net Profit (HKD in millions)



Forecast Vs. Actual Net Income
(in HKD millions)

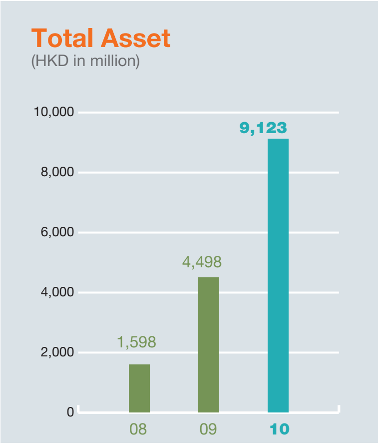


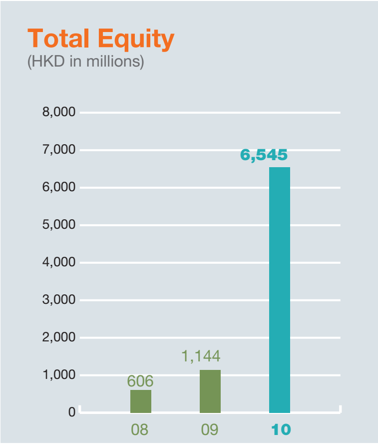
Net Profit Per Tonne

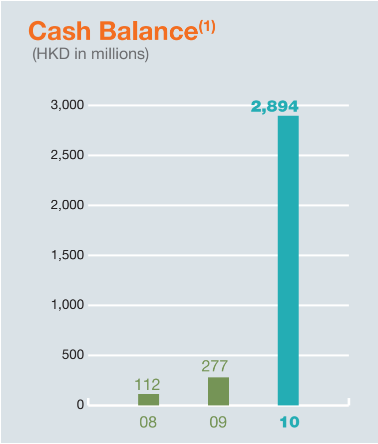


Note(1): One-off/non-cash expenses includes IPO-related expenses of HK$32 million, non-cash interest on the Convertible Bonds and Preferred Shares of HK$87 million and expenses related to employee stock option plan of HK$71 million.

Financial Highlights







Note (1): Cash balance did not include restricted cash

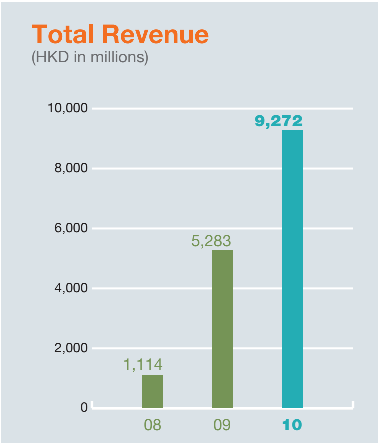
Management Discussion and Analysis of Financial Conditions and Operating Results

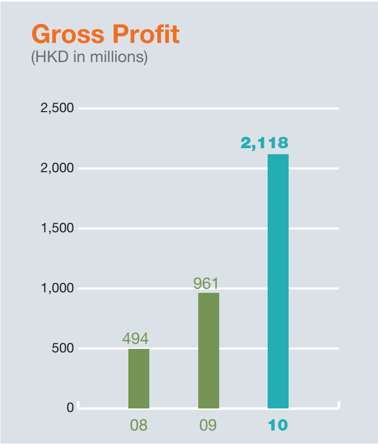
The following discussions and analysis should be read in conjunction with the Group's audited financial statements and the notes thereto. The Group's financial statements have been prepared in accordance with IFRS.

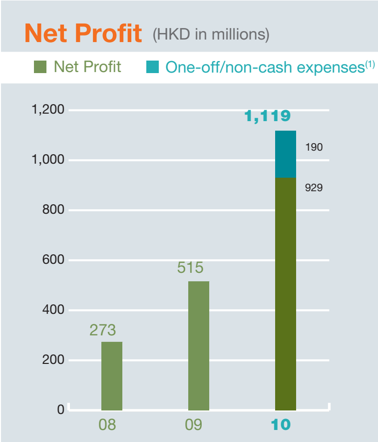
I Overview

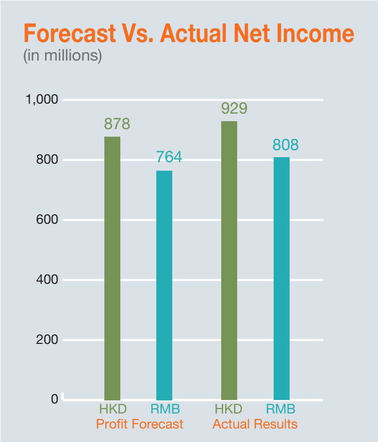
2010 witnessed another year of rapid growth for Winsway. Not only did we achieve a significant increase in the Company's topline and bottomline, we also reached a few significant strategic milestones, including our successful listing on the Hong Kong Stock Exchange and the consummation of our partnership with HOPU, China Minmetals, Silver Grant, ITOCHU, Marubeni and Peabody Energy as well as SouthGobi Resources.

In 2010, our revenue increased by 75.51% to HK$9,272 million from 2009's HK$5,283 million. We sold a total of 4.72 million tonnes of Mongolian coal and 3.11 million tonnes of seaborne coal in 2010, representing an increase of 120.56% and 6.14% year-on-year, respectively. Our GAAP (generally accepted accounting principles) net profit increased from 2009's HK$515 million to 2010's HK$929 million, an increase of 80.39%. The net profit for 2010 is in consistent with the profit forecast included in the Prospectus, which is HK$878 million (RMB764 million). We incurred significant non-cash accounting







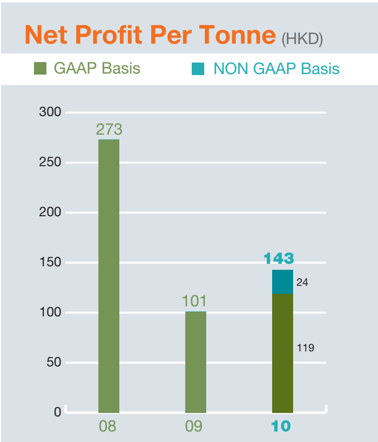


Note (1): One-off/non-cash expenses included IPO-related expenses of HK$32 million, non-cash interest on the Convertible Bonds and Preferred Shares of HK$87 million and expenses related to employee stock option plan of HK$71 million.

Management Discussion and Analysis of Financial Conditions and Operating Results

expenses as a result of our newly implemented employee incentive plan, as well as one-off expenses, including pre-IPO investment-related expenses, IPO-related expenses and the GAAP-based, non-cash interest component of the pre-IPO Convertible Bonds and Preferred Shares. Excluding these one-off expenses (IPO expenses, HK$32 million; non-cash Convertible Bond interest expenses, HK$43 million; non-cash Preferred Shares interest expenses, HK$44 million) and non-cash employee stock option plan-related expenses of HK$71 million, we achieved an adjusted non-GAAP 2010 net income of HK$1,119 million, an increase of 117.28% over 2009.

On a per-tonne basis, we achieved a unit GAAP net profit of HK$119 in 2010, in line with our operational target. If the abovementioned one-off/non-cash expenses are excluded, our per-tonne net profit would have been HK$143 in 2010.

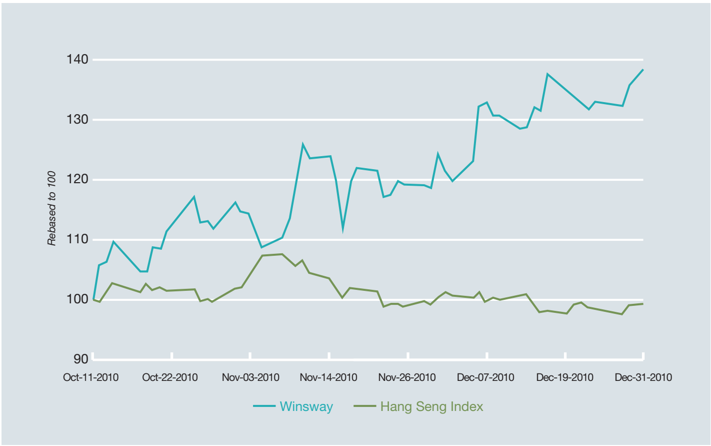


II The IPO and Subsequent Stock Performance

Winsway was successfully listed on the Main Board of the Hong Kong Stock Exchange on 11 October, 2010. Net proceeds from the IPO were HK$3.55 billion, 75%, 15% and 10% of which will be used for infrastructure-related capital expenditure, upstream asset acquisitions and general working capital purposes, respectively. In addition to providing significant liquidity and a meaningful capital access platform for our growth, the IPO put our internal and organizational control, corporate governance and business development process through a rigorous evaluation and streamlining process, which helped us institutionalize many best practices that are the bedrocks of companies with longevity and sustained profitability.

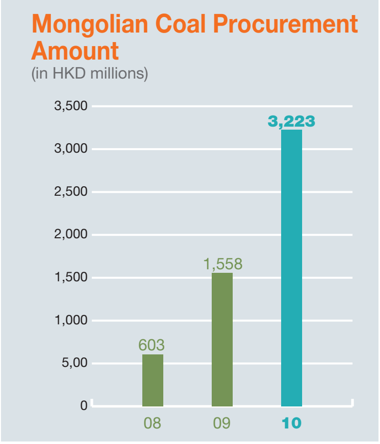
Management Discussion and Analysis of Financial Conditions and Operating Results

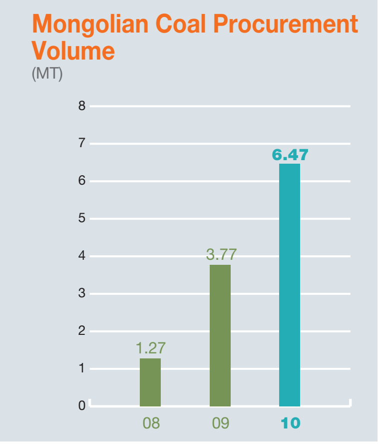
The listing brought in many world-class institutional investors as well as retail investors as our shareholders. We are keen to nurture and maintain these new relationships because we understand the importance of a loyal investor base for a public company. Most importantly, we understand a strong and supportive investor base is built upon consistent and prolonged earnings growth and a high ethical and corporate governance standards.



III Mongolian Procurement

In 2010, we procured a total of 6.47 million tonnes of Mongolian raw coal, representing a 71.62% increase in terms of raw Mongolian coal procurement over 2009 (3.77 million tonnes).





Management Discussion and Analysis of Financial Conditions and Operating Results

Top Mongolian Suppliers

Suppliers	Description	Amount (HK$ millions)
Undisclosed Mongolian Supplier	Coal	731
Moveday Enterprises Limited	Coal	558
Moveday Enterprises Limited	Transportation	566
Tavan Tolgoi Trans Co., Ltd	Coal	512
MAK	Coal	392
SouthGobi Sands LLC	Coal	247
Others	Coal/Transportation	217
Total		3,223

Note: Coal purchased from Moveday was mined by Tavan Tolgoi Corporation (HK$401 million) and SouthGobi (HK$157 million).

We currently have four Mongolian suppliers. In addition to the 10-year strategic contract that we have with Tavan Tolgoi Trans Co., Ltd Company ("TTC") and a 3-year strategic agreement with an undisclosed Mongolian supplier, we successfully secured a 5-year strategic agreement with SouthGobi Resources Ltd. ("SouthGobi") in December 2010. Under this strategic agreement, SouthGobi will provide a minimum of 2 million tonnes of coal to Winsway for the next five years and 3.2 million tonnes of raw coal to Winsway in 2011, specifically. This agreement further solidifies our position as one of the largest importers of Mongolian coal into China.

	Long-term Offtake Agreement	
	Period	Volume
TTC	2010–2020	Higher of 5.0 Mt per year or 50% of its total annual output, with an increase in volume each year based on actual production
Undisclosed Mongolian Supplier	2010–2013	Up to 2.0 Mt per year
SouthGobi Sands LLC	2010–2015	Minimum 2.0 Mt per year
MAK	Annual	1.0 Mt per year(1)

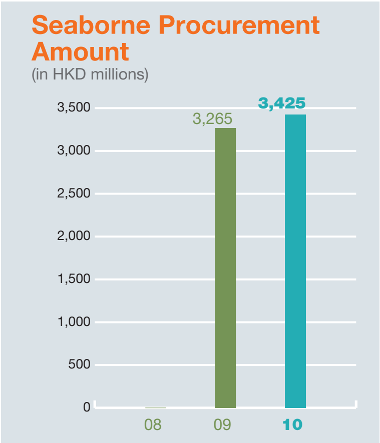
Note (1): According to a supplementary agreement to the coal supply agreement entered into between Winsway Singapore and MAK dated 18 March 2011, the total annual volume of coal to be supplied by MAK to the Group is increased from 1 million tonnes to 3 million tonnes.

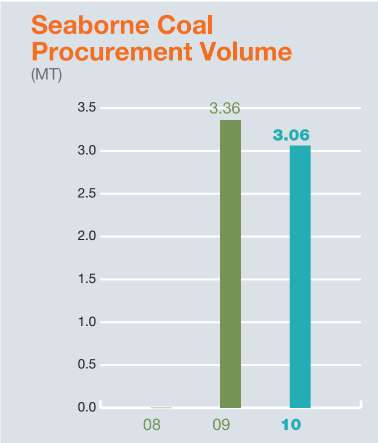
Winsway will continue to service our Mongolian supplier base as many mining companies are planning to bring their production online in the near future, acting as the preferred bridge between them and the end user market located in coastal regions of China.

Management Discussion and Analysis of Financial Conditions and Operating Results

IV Seaborne Procurement

In 2010, our seaborne procurement volume was approximately 3.06 million tonnes, an 8.9% decrease over 2009. Our seaborne business is a significant compliment to our core Mongolia and Russia business. As one of the largest importers of seaborne coking coal into China, Winsway has established relationship with major coking coal suppliers from around the world in Australia, Russia, the US, Canada and others.





Top 10 Seaborne Suppliers (2010)

Suppliers	Amount (HK$' millions)
Suek AG	604
Marubeni Corporation	467
An international coking coal supplier	457
An international coking coal supplier	276
Peabody	143
An international coking coal supplier	124
Macarthur Coal	118
An international coking coal supplier	117
Itochu	106
Noble Resources	98

V Infrastructure

Infrastructure building is at the heart of our business model and our infrastructure build-out achieved significant milestones in 2010. The construction of the two railway logistics loading stations at Ceke and Erlianhaote were completed and will be operational in early 2011. Several new washing plants are expected to become fully operational by the end of 2011, raising our aggregate capacity to approximately 23 million tonnes per annum . The following is a summary of the status of our fixed assets at each of our locations at the end of 2010.

Management Discussion and Analysis of Financial Conditions and Operating Results

Infrastructure

Location	Project/(Equipment)	Description	Status	Production Capacity/ Processing Capacity
Ceke	Logistics park	Consists of office buildings, commercial lots, staff quarters, canteens, boiler houses, maintenance workshops, power distribution rooms, water pump rooms, gas stations, wind shields, stockpile areas, etc.	Completed	Ancillary facilities
	Railway loading system	Consists of transshipment stations and stockpile areas.	Phase I completed at the end of 2010	10.00 mt
	Air separation coal processing plant	Consists of air separation production lines and ancillary facilities such as men's and women's quarters, living rooms, garages and boiler houses.	Completed	1.2 mtpa
	Border-crossing conveyor belt	Consists of coal conveyor belts under construction.	Construction in progress	6.0 mtpa transportation capacity
Erlianhaote	Railway logistics park	Consists of transshipment stations and stockpile areas.	Phase I completed at end of 2010	10.0 mtpa
Manzhouli	Logistics park	Consists of ore stockpile areas, coal stockpile areas and roads which are under construction, and dense Medium coal processing plant, air separation coal processing plant and ancillary production and living facilities which are proposed to construct.	Construction in progress	Ancillary facilities
	Railway loading system	Consists of transshipment stations and stockpile areas.	Construction to commence upon approval of Harbin Railway Bureau	10.0 mtpa
	Urad Zhongqi coal processing plant	Consists of three completed production lines with a capacity 6.0 mtpa as well as ancillary facilities such as office buildings (under construction), staff quarters, canteens, shower rooms and gas stations.	Construction of the slime production line which is underway is expected to complete in early March	6.0 mtpa for existing production lines
Gants Mod	Logistics park	Consists of staff quarters, commercial lots, canteens, boiler houses, water pump rooms, gas stations, motels, maintenance workshops, stockpile areas, wind shields, enclosed warehouse for raw coal (under construction) etc.	Completed	Ancillary facilities
	Railway loading system	Consists of transshipment stations and stockpile areas.	At the stage of design and planning	10.0 mtpa
	Border-crossing conveyor belt	Consists of conveyor belts for coal transportation.	Construction in progress	6.0 mtpa
Jining	Jining coal processing plants	Consists of coal processing plants and affiliated production and living facilities.	Main construction completed at the end of 2010	4.0 mtpa
Yingkou	Bayuquan coal processing plant	Consists of coal processing plant and affiliated production and living facilities.	Main construction completed at the end of 2010	4.0 mtpa
Longkou	Longkou coal processing plant	Coal processing plant and affiliated production and living facilities which are under construction.	Construction in progress	4.0 mtpa
Longkou	Longkou berth	Consists of a port berth.	At the stage of design and planning	70,000 to 80,000 dead weight tonnes

VI Our Customers

We continued to receive strong support from our customers in 2010. Our customers include some of China's largest steel mills and coke makers primarily located in northern, coastal and central regions of China. We have gradually moved our marketing efforts away from China's northern borders to the coastal regions of China, where close to 60% of China's steel production is concentrated, including the provinces of Hebei, Jiangsu, Shandong, Liaoning and the municipalities of Shanghai and Tianjin. Our products have reached markets as far away from the Sino-Mongolian border as Wuhan and Changsha, which are located in central China. In terms of sales, our top 5 customers are as follows:

Winsway's Top 5 Customers

Name	Type	Location	Amount (HK$'000)
Baosteel	Steel Producer	Shanghai	1,219,249
Wugang	Steel Producer	Wuhan	546,251
Baotou Steel	Steel Producer	Inner Mongolia	497,716
Hebei Steel	Steel Producer	Hebei	483,861
Qian An	Coke Plant	Hebei	403,349

We have signed long-term strategic agreements with some of our customers as demonstrated by the table below:

Winsway's Long Term Partnership with Customers

Name	Type	Location	Comments
Baosteel	Steel Producer	Shanghai	Strategic partnership to supply up to 2.6 mtpa of coking coal
Wugang	Steel Producer	Wuhan	10-year, long-term strategic cooperation agreement to supply 1.2 mtpa coking coal
Qian An	Coke Plant	Hebei	30-year, long-term strategic cooperation agreement
Tangshan Jiahua	Coke Plant	Hebei	30-year, long-term strategic cooperation agreement

Management Discussion and Analysis of Financial Conditions and Operating Results

Below are some selected quotes from our clients:

Baosteel Resources Co., Ltd.:

"We had very good experience with Winsway Coking Coal Holdings Limited with a total transaction volume amounting to 800,000 tonnes and products of consistent and stable quality in 2010. We sincerely hope to maintain the friendly cooperation and jointly seek opportunities to develop new trade varieties and markets in 2011.

Winsway Coking Coal Holdings Limited has strong ability to source coking coal and enjoys great reputation in markets at home and abroad. In 2011, Baosteel Resources will work with Winsway Coking Coal to capture market opportunities and achieve a win-win situation through mutual cooperation and support."

Hebei Iron & Steel Group Co. Ltd.:

"We have great working relationship with Winsway Coking Coal as it has been supplying products to us with consistent quality and quantity. With enormous growth potentials, Winsway Coking Coal has achieved a spectacular result in the past. As an end customer, Hebei Iron & Steel Group Co. Ltd. acclaims for Winsway Coking Coal and would like to wish Winsway Coking Coal a even more successful future."

Wuhan Iron & Steel Corporation:

"Leveraging on its abundant coal resources, Winsway Coking Coal Holdings Limited provides stable supply of high-quality coal, thus making significant contributions to Wugang in terms of coal supply."

Management Discussion and Analysis of Financial Conditions and Operating Results

VII Peabody-Winsway Joint Venture

At the end of June 2010, Winsway purchased a 50% interest from Polo Resources Limited in the joint venture between Peabody Energy Corporation and Polo Resources Limited. For details of this investment in Peabody-Winsway JV, please refer to the paragraph headed "Business – Our Operation – Upstream investments" of the Prospectus.

Total operating expenses of Peabody-Winsway JV in 2010 were approximately HK$47 million, of which HK$8 million was borne by Winsway. A total of HK$72 million of exploration expenditures were capitalized and the remainder was expensed primarily for license maintenance fees and general corporate purposes. 2011 operating expenses are expected to increase over those of 2010, but as the joint venture will still be primarily engaged in exploration, the overall budget of the joint venture for 2011 will only be slightly higher than 2010. However, the joint venture is expected to enter into coal production in the next few years and may incur large amounts of additional capital expenditure.

Management Discussion and Analysis of Financial Conditions and Operating Results

VIII Financial Review

a. Sales

In 2010, our sales revenue grew 75.51% from 2009, to reach an all time record of HK$9.27 billion. This is the result of continued strong demand for coking coal from our customers in China and our improved ability to offtake and transport more coal from around the world, particularly from the Sino-Mongolian border crossings to our major customers on the east coast of China.

	Years ended 31 December		
	2008	2009	**2010**
	HK$'000	*HK$'000*	***HK$'000***
Turnover			
Mongolian Coal	1,101,960	1,994,845	**5,073,434**
Seaborne Coal	—	3,215,877	**4,155,712**
Other	11,898	72,494	**42,519**
Total	1,113,858	5,283,216	**9,271,665**

We sold a total of 7.83 million tonnes of coking coal in 2010, consisting of 4.72 million tonnes of Mongolian coal and 3.11 million tonnes of seaborne coal. We procured 6.47 million tonnes of Mongolian raw coal and 3.06 million tonnes of seaborne coal. 2010 witnessed a significant increase in coking coal prices globally versus 2009. As a result, the average selling price of our coking coal products increased 14.80%, from HK$1,027 per tonne in 2009 to HK$1,179 per tonne in 2010.

	Years ended 31 December					
	2008		2009		**2010**	
	Total sales volume *(Tonnes)*	Average selling price (Per tonne) *(HK$)*	Total sales volume *(Tonnes)*	Average selling price (Per tonne) *(HK$)*	**Total sales volume *(Tonnes)***	**Average selling price (Per tonne) *(HK$)***
Mongolian coal	1,008,155	1,093	2,140,892	932	**4,720,952**	**1,075**
Seaborne coal	—	—	2,932,937	1,096	**3,106,230**	**1,338**
Total	1,008,155	1,093	5,073,829	1,027	**7,827,182**	**1,179**

b. Cost of Goods Sold ("COGS")

The increase of COGS in 2010 tracked the increase of our sales revenue to reach a total of HK$7,154 million. COGS primarily consists of the cost of raw coal purchased, transportation costs of Mongolian coal from the Sino-Mongolian border to our washing plants and washing-related expenses.

The average purchase price of raw coal also increased as a result of coking coal price increases in 2010 over 2009. The average purchase price of Mongolian raw coal increased 20.58%, from HK$413 per tonne in 2009 to HK$498 per tonne in 2010, while the average purchase price of seaborne coal increased 15.24%, from HK$971 per tonne in 2009 to HK$1,119 per ton in 2010.

	Years ended 31 December					
	2008		2009		**2010**	
	Total purchase volume *(Tonnes)*	Average purchase price (Per tonne) *(HK$)*	Total purchase volume *(Tonnes)*	Average purchase price (Per tonne) *(HK$)*	**Total purchase volume *(Tonnes)***	**Average purchase price (Per tonne) *(HK$)***
Mongolian coal	1,267,990	475	3,771,636	413	**6,472,246**	**498**
Seaborne coal	—	—	3,361,228	971	**3,062,230**	**1,119**
Total	1,267,990	475	7,132,864	676	**9,534,476**	**697**

c. Gross Profit

2010 gross profit saw a 120.33% increase, from HK$961 million in 2009 to HK$2,118 million in 2010. Gross profit margin also improved from 18.2% in 2009 to 22.8% in 2010.

	Years ended 31 December					
	2008		2009		**2010**	
	Gross Profit *(HK$'000)*	Gross Profit Margin *(%)*	Gross Profit *(HK$'000)*	Gross Profit Margin *(%)*	**Gross Profit *(HK$'000)***	**Gross Profit Margin *(%)***
Mongolian coal	488,914	44.4	552,446	27.7	**1,541,769**	**30.4**
Seaborne Coal	—	—	399,187	12.4	**559,508**	**13.5**
Other	5,158	43.4	9,425	13.0	**16,273**	**38.3**
Total gross profit	494,072	44.4	961,058	18.2	**2,117,550**	**22.8**

Management Discussion and Analysis of Financial Conditions and Operating Results

d. Administrative Expenses

Administrative expenses increased from HK$104 million in 2009 to HK$359 million in 2010. Administrative expenses as a percentage of revenue increased to 3.87% in 2010 from 1.97% in 2009. This was a result of increased headcount and the dramatic increase of our operational coverage from two Sino-Mongolian border crossings to multiple operational facilities throughout China. Due to our increased seaborne activities, we also opened offices in Brisbane, Singapore, as well as Hong Kong.

A pre-IPO employee stock option plan was adopted in June 2010. A total of 107,945,000 options were granted to Directors and management. A total of HK$71 million of non-cash accounting expenses were incurred as a result which contributed to the increase in administrative expenses. Also, HK$32 million of expenses were incurred as a result of the IPO. If these one-off or non-cash expenses were excluded, our 2010 administrative expenses would have been HK$256 million versus HK$104 million in 2009.

e. Net Finance Costs

Net finance costs increased from HK$35 million in 2009 to HK$114 million in 2010. Finance expenses consist of actual cash interest payments on bank loans and discounted bills as well as non-cash interest expenses of non-equity securities. The large increase in finance expenses is primarily attributed to the non-cash interest component of the pre-IPO Convertible Bonds and Preferred Shares amounting to HK$87 million purely due to IFRS accounting treatment. As these securities were converted into ordinary shares upon the IPO, there will not be any such one-off non-

cash accounting expenses going forward. Excluding these one-off and non-cash interest expenses, our 2010 net finance costs would have been HK$27 million.

	Continuing operations Years ended 31 December		
	2008	2009	**2010**
	HK$'000	HK$'000	***HK$'000***
Interest income	(1,013)	(7,041)	**(18,768)**
Foreign exchange gain, net	(4,010)	—	**(47,057)**
Finance income	(5,023)	(7,041)	**(65,825)**
Interest on secured bank and other loans	1,284	20,343	**37,661**
Interest on discounted bills	2,450	20,353	**41,642**
Interest on liability component of Convertible Bonds	—	—	**49,942**
Interest on liability component of Preferred Shares	—	—	**50,683**
Total interest expense	3,734	40,696	**179,928**
Foreign exchange loss, net	—	1,338	**—**
Finance costs	3,734	42,034	**179,928**
Net Finance Costs	(1,289)	34,993	**114,103**

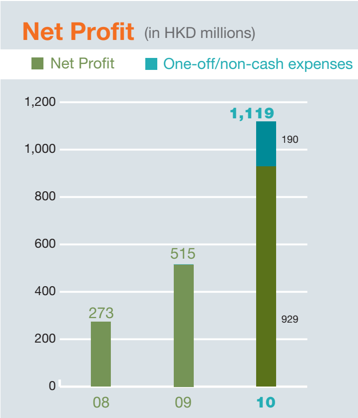
f. Pre-IPO and IPO Related Expenses

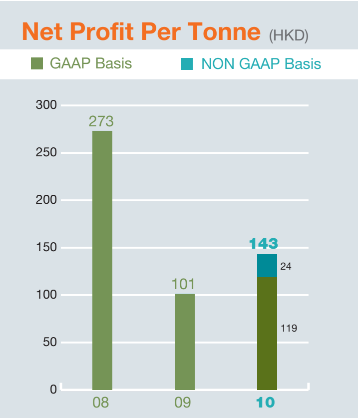
Four pre-IPO investors invested US$120 million Preferred Shares and Convertible Bonds in Winsway in April 2010. As a result, the interest expenses related to Preferred Shares were HK$51 million and interest expenses related to Convertible Bonds were HK$50 million. Another HK$32 million of one-off intermediary expenses were incurred as a result of our Listing in October 2010.

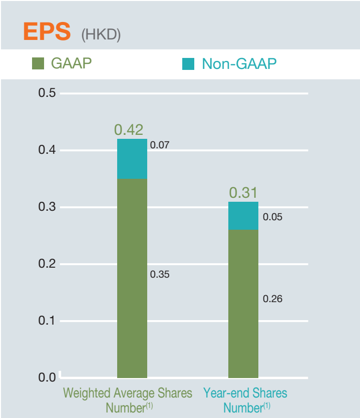
Management Discussion and Analysis of Financial Conditions and Operating Results

g. Net Profit and Earnings Per Share ("EPS")

Net profit increased 80.39% from HK$515 million in 2009 to HK$929 million in 2010. This translates into a per tonne net profit of HK$119 versus HK$101 in 2009. If one-off expenses such as pre-IPO and IPO-related expenses as well as non-cash accounting expenses were excluded, our adjusted non-GAAP net income would have been HK$1,119 million as demonstrated by the table below. This translates into a per tonne net profit of HK$143.



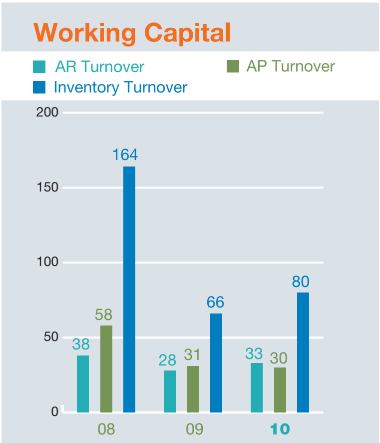




Note (1): the weighted average number of shares diluted through 2010 is 2.67 billion, and share count at 2010 year end is 3.79 billion.

h. Working Capital

Our accounts receivable turnover days, accounts payable turnover days and inventory turnover days for 2010 were 33 days, 30 days and 80 days, respectively. As a result, on average we needed approximately 83 days or the equivalent of approximately HK$1,902 million of working capital throughout 2010. Compared with figures in 2009, these figures are slightly higher, providing visibility of working capital needs for the management. In addition, Winsway's strong debt capacity and credit are expected to be able to finance our future growth and working capital needs.



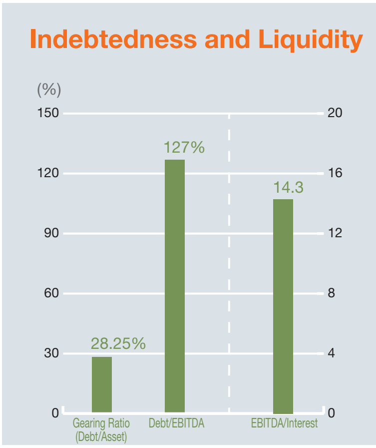
i. Property, Plant and Equipment ("PP&E")

The aggregate of fixed assets and construction in progress totaled HK$756 million at the end of 2010, a 54.81% increase over 2009. New fixed assets included new railway logistics facilities, border crossing facilities, washing plants, etc.

Management Discussion and Analysis of Financial Conditions and Operating Results

j. Indebtedness and Liquidity

The total bank and other loans at the end of 2010 amounted to HK$1,073 million, a 32.51% decrease over 2009. The range of interest rates per annum for bank loans and other loans was from 1.42% to 7.46%, while the range in 2009 was from 0.90% to 6.78%, reflecting the fact that we are in a rising interest rate environment and the fact that we secured some long-term facilities in 2010. As of 31 December 2010, the untapped credit line available to the Company was HK$4,587 million. The Group's gearing ratio as at 31 December 2010 was 28.25% (2009: 74.57%), which is calculated on the basis of the Group's total liability divided by the total asset.



k. Contingent Liability

As at 31 December 2010, the Group did not have any material contingent liabilities or guarantees.

l. Pledge of Assets

At 31 December 2010, bank and other loans amounting to HK$435,394,838 (2009: HK$808,447,990) were secured by bank deposits placed in banks with an aggregate carrying value of $261,616,015 (2009: HK$642,535,903).

At 31 December 2010, bank and other loans amounting to HK$219,964,410 (2009: HK$459,020,419) were secured by coking coal inventories of the Group with an aggregate carrying value of HK$182,707,200 (2009: HK$303,926,434).

At 31 December 2010, bank and other loans amounting to HK$533,567,004 (2009: HK$321,997,689) were secured by trade and bills receivable with an aggregate carrying value of HK$575,549,644 (2009: HK$321,997,689).

At 31 December 2010, bills payable amounting to HK$222,423,806 were secured by bank deposits placed in a bank with an aggregate carring value of HK$42,453,721.

At 31 December 2010, bank and other loans amounting to HK$1,888,175 (2009: HK$Nil) were secured by motor vehicles with an aggregate carrying value of HK$3,579,887 (2009: HK$Nil).

At 31 December 2010, bank and other loans amounting to HK$23,614,000 (2009: HK$Nil) were secured by land use right with an aggregate carrying value of HK$55,245,106 (2009: HK$Nil).

m. Operating Cash Flow

Our 2010 operating cash flow turned positive at HK$47 million versus a negative HK$353 million in 2009, primarily due to increasing net profit and prudent management of working capital.

n. Capital Expenditure

Our 2010 capital expenditure amounted to HK$856 million, an increase of 345.93% over 2009. This is on track with our capital expenditure plan for the year. Our capital expenditure plan will continue well into 2012 as 75% of our IPO proceeds are allocated for fixed-assets investment.

o. Financing Cash Flow

In 2010, Winsway paid off net HK$527 million of bank loans. We also raised HK$888 million and HK$3,547 million of equity through the pre-IPO private placements and the IPO, respectively.

IX Exposure to exchange rate fluctuations

Over 81% of the Group's turnover in 2010 are denominated in Renminbi. The Group's cost of coal purchased, accounting for over 90% of the total cost of sales in 2010, and some of our operating expenses are denominated in US dollars. Fluctuations in exchange rates may adversely affect the value of the Group's 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 the costs of the Group or a decline in sales, which could materially affect the Group's results of operations. The Group did not enter into any agreements to hedge its exchange rate exposure in 2010.

X Final Dividends

The Board has resolved to recommend the payment of a final dividend of HK$0.061 per share, which translates into 25% of 2010 net profit.

XI Human Resources

a. Employee Overview

The Group aims to set up a performance-oriented compensation and benefit system. Strictly following the PRC Labor Law and Labor Contract Law, the Group signs formal employment contracts with all employees and pays all mandatory social insurances schemes. In addition, the Group purchases supplementary commercial insurance for all employees.

As at 31 December 2010, there were 1,243 full-time employees in the Group (excluding 536 labour dispatch staff). Detailed category of employees is as follows:

Employee Overview

Functions	No. of Employees
Management, Administration and Finance	224
Production, Maintenance and Production Support	786
Technical Support	60
Sales and Marketing	40
Others (incl. Projects)	133
Total	1,243

For the year ended 31 December 2010, the staff costs (including Directors' remuneration in the form of salaries and other benefits) were approximately HK$214 million (2009: HK$38 million). Details are set out in note 6(b) to the financial statements set out in this annual report.

For the year ended 31 December 2010, the Group complied 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, the Group participated in a mandatory provident fund scheme for our employees in Hong Kong in accordance with the applicable Hong Kong laws and regulations.

b. Employee Education Overview

Employee Education Overview

Qualifications	No. of employee	Percentage
Master & above	48	4%
Bachelor	217	17%
Diploma	281	23%
Middle-School (Secondary School) & below	697	56%
Total	1,243	100%

c. Training Overview

Training is key to the Group as it helps improve employees' working capabilities and management skills. The Group sponsored various internal and external training programs in 2010, and accumulatively 1,054 employees are covered by these with 5,745 training hours in total.

"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."

XII Subsequent Events

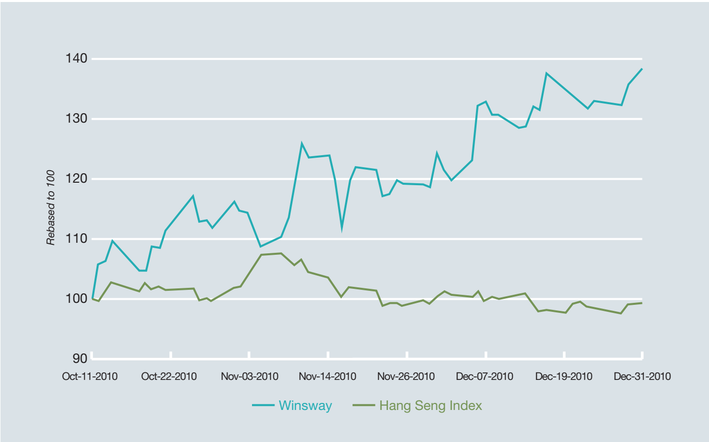
On 27 January 2011, Inner Mongolia Haotong, a wholly-owned subsidiary of Winsway, established a joint venture company, Inner Mongolia Huayuan Logistics Company Limited ("Huayuan Logistics"), with Inner Mongolia Hutie Investment Center ("Hutie Center"), a subsidiary of Hohhot Railway Bureau and other 13 third-party shareholders. Huayuan Logistics will mainly engage in the business of coal and mineral products transportation logistics. Huayuan Logistics will purchase 3,300 C70 type rail trucks for the transportation of coal and mineral products inside and outside Inner Mongolia province. Winsway, as a joint venture partner of Hohhot Railway Bureau, will invest RMB66.78 million and will hold a 9% equity interest in Huayuan Logistics through Inner Mongolia Haotong as the second largest shareholder after Hohhot Railway Bureau, which will hold a 20% equity interest through Hutie Center. As a result, it is anticipated that Winsway's railway transportation capacity quota will increase by approximately 1.2 million tonnes per year.

Investor Relations Report

The Company is committed to upholding an interactive and transparent investor relationship strategy to enhance the knowledge and understanding of the investment community with respect to the Company's corporate background, strategy, development, operational progress and financial performance, such that public investors will be able to make well-informed decisions on their investments.

Performance of Share Price

On 11 October 2010, the Company's Listing Date, the closing price of Winsway was HK$3.38 and the Hang Seng Index closed at 23207.31. On 31 December 2010, the closing price of Winsway was HK$4.67, an increase of 38.17% while the Hang Seng Index closed at 23035.45, a decrease of 0.7%. The share price of Winsway significantly outperformed the market, reflecting the fact that Winsway's stocks are well received in the capital market.



Summary of Investor Relationship Activities

The Company has a professional and dedicated team to carry out investor relationship activities. Between the Listing on 11 October 2010 and year-end of 2010, the following investor relations meetings were carried out by the team:

Details of Activities	Number of participation (approximately)
Investment Conferences/Non-deal roadshows	5 (investors from 99 investment institutions)
One-on-one and group meetings	55
Reverse roadshows	1 (investors and analysts from 11 institutions)
Analyst Coverage	3
Internet/Media Communication	Ongoing

Investor Relations Report

Investment Conferences:

Below is a table that summarizes the major conferences and non-deal roadshow that the Company organized and participated in during the year.

Month	Activities
November	— HSBC Global Commodities in Asia
	— Bank of America Merrill Lynch China Investment Summit
	— Investor Reverse Roadshow to Erlianhaote, Jining, Urad Zhongqi and Gants Mod
December	— Bank of America Merrill Lynch China New IPOs Corporate Day
	— Non-Deal Roadshow organized by Goldman Sachs

Reverse Roadshow:

The Company arranged a reverse roadshow in November for the investment community to gain first-hand knowledge of all our facilities at our key operational locations, such as border crossing facilities and logistic parks at Gants Mod and Erlianhaote, coal processing plants and railway loading stations at Jining and Erlianhaote, as well as coal processing plants at Urad Zhongqi. The Company has also provided a detailed write-up with many updated pictures of the reverse roadshow so that more investors can have direct understanding of the Company.

One-on-One/Group Meetings:

The Company maintained communication with investors through face-to-face meetings and conference calls. The Company has received meeting request from numerous potential investors between the Listing and year end.

Analyst Coverage

During the reporting period, three established and reputable research institutions have initiated research coverage on Winsway.

— Deutsche Bank

— Merrill Lynch

— Goldman Sachs

Other analysts from Macquarie, HSBC and SWS Research are also preparing their initiation report.

Internet communication

The Company is dedicated to maintaining an informative and up-to-date website through which investors can easily find extensive information and updates on the Company's developments on strategy, operation, financial performance and corporate governance practices.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Wang Xingchun (王興春), aged 47, is the founder of our Company and the Chairman of the 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-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 36, 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.

Profile of Directors and Senior Management

Yasuhisa Yamamoto, aged 51, 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 55, 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.

Profile of Directors and Senior Management

Cui Yong (崔勇), aged 36, 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 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 Shareholders, 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 Diary 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.

Profile of Directors and Senior Management

Liu Qingchun (劉青春), aged 45, 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 Shareholders. 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 41, 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 Shareholders and a company listed on the Hong Kong Stock Exchange (Stock Code: 171), as Assistant General Manager and is mainly responsible for its operations relating to financial asset investments. He also acted as a non-executive director of China Ground Source Energy Limited (stock code: 8128), a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange from September 2008 to March 2009. Mr. Lu 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 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,

Profile of Directors and Senior Management

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.

Ng Yuk Keung (吳育強), aged 46, 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

Profile of Directors and Senior Management

out below are the current appointments in other listed companies on the Hong Kong Stock Exchange which Mr. Ng has undertaken:

Position	Name of the listed company	Stock Code
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 44, 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.

Profile of Directors and Senior Management

George Jay Hambro, aged 36, 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 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.

SENIOR MANAGEMENT

Zhu Qingrang (朱慶讓), aged 62, 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, Erlianhaote 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. 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.

Profile of Directors and Senior Management

Di Jingmin (邸京敏), aged 39, 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 44, 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 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 37, 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 as an investment banker. He has since worked both as an investment banker and an investor with Bear Stearns, Deutsche Bank, Lehman Brothers and Nomura Securities in both New York and Hong Kong. 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.

Profile of Directors and Senior Management

Wang Yaxu (王雅旭), aged 39, 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.

Jiang Tao (江濤), aged 46, is an Executive Vice President who is responsible for our Group's mining and resources acquisitions. Mr. Jiang joined our Company in January 2011. Mr. Jiang has extensive experience in finance and investment in the Greater China market. During his career, he has worked with a number of well-known financial institutions in the region, including China Investment Corporation, Credit Suisse (Hong Kong) Limited, BNP Paribas Hong Kong and Deutsche Bank Beijing Branch, in natural resources, real estate and renewable energy area. Mr. Jiang graduated from Anhui Huainan Mining Institute majoring in Mechanical Mining Engineering in 1983 and received a Master of Science Degree from the same institute in 1988. He also obtained a Master of Business Administration Degree from China Europe International Business School in 1993.

COMPANY SECRETARY

Cao Xinyi (曹欣怡), aged 28, 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.

Corporate Governance Report

The Board is committed to upholding a high standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and furthering shareholders' interests. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfil its commitment to excellence in corporate governance.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company during the Review Period.

Corporate Governance

The Board has adopted the CG Code set out in Appendix 14 of the Listing Rules as its own set of corporate governance guidelines, with the additional requirement of at least 7 days' prior notice for board meetings other than regular board meetings (for which at least 14 days' notice is required) to give all Directors greater opportunity to attend.

The Board considers that throughout the Review Period, save as disclosed below, the Company has complied with the code provisions under the CG Code ("**Code Provisions**") with which listed issuers are expected to comply.

Code Provision A.2.1

Mr. Wang Xingchun is the Chairman and Chief Executive Officer of the Company. As explained in the Prospectus, with extensive experience in the coking coal industry, Mr. Wang is responsible for the Group's overall strategic planning and the management of the Company's business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises five executive Directors (including Mr. Wang), three non-executive Directors and four independent non-executive Directors and therefore has a strong element of independence in its composition. Except for the aforesaid deviation from the CG Code, the Company has fully complied with all the Code Provisions throughout the Review Period.

Corporate Governance Report

The Board

The Board is the decision-making body of the Company. The powers and duties of the Board include convening shareholders' meetings and reporting the Board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining the Company's business plans and investment plans, formulating annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association of the Company. The Board has given clear directions to the senior management as to the matters that must be approved by the Board before decisions are made on behalf of the Company.

The Board consists of twelve Directors, comprising five executive Directors, three non-executive Directors and four independent non-executive Directors. The Board considers that it has maintained a balanced composition of executive directors and non-executive directors (including independent non-executive directors). The three non-executive Directors and four independent non-executive Directors participate actively in the formulation of the Company's policies and seek to represent the interests of the shareholders as a whole. As at the date of this report, the composition of the Board is as follows:

Executive Directors
Mr. Wang Xingchun *(Chairman and Chief Executive Officer)*
Ms. Zhu Hongchan
Mr. Yasuhisa Yamamoto
Mr. Apolonius Struijk
Mr. Cui Yong

Non-executive Directors
Mr. Cui Guiyong
Mr. Liu Qingchun
Mr. Lu Chuan

Independent non-executive Directors
Mr. James Downing
Mr. Ng Yuk Keung
Mr. Wang Wenfu
Mr. George Jay Hambro

Biographical details of the Directors and senior management of the Company are set out in the section headed "Profile of Directors and Senior Management" on pages 32 to 40 of this annual report. Before the Listing, the Directors were provided with training on their duties and responsibilities as a director of a listed company and the compliance issues under the Listing Rules. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Company's business. There was no material financial, business, family or other relevant relationship among members of the Board and the senior management during the Review Period.

Corporate Governance Report

During the Review Period, 2 full board meetings were held. The following is the attendance record of the board meetings held by the Board during the Review Period:

Name of Director	Number of board meetings attended	Attendance Rate
Executive Directors		
Wang Xingchun	2/2	100%
Zhu Hongchan	2/2	100%
Yasuhisa Yamamoto	2/2	100%
Apolonius Struijk	2/2	100%
Cui Yong	2/2	100%
Non-executive Directors		
Cui Guiyong	2/2	100%
Liu Qingchun	2/2	100%
Lu Chuan	2/2	100%
Independent non-executive Directors		
James Downing	2/2	100%
Ng Yuk Keung	2/2	100%
Wang Wenfu	2/2	100%
George Jay Hambro	2/2	100%

Sufficient notice convening the board meeting was given to the Directors setting out the matters to be discussed. All Directors were given an opportunity to include matters in the agenda for the board meeting and have access to the secretary to the Board to ensure that all board procedures and all applicable rules and regulations were followed. At the meeting, the Directors were provided with the relevant documents to be discussed and approved. The secretary to the Board is responsible for keeping minutes for the board meetings.

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 7 September 2010 and each of the non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from 7 September 2010. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from the commencement date set out in the relevant letter of appointment.

Corporate Governance Report

Independent non-executive Directors

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

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

Directors' Securities Transactions

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

Appointment and re-election of the Directors

According to the Articles of Association, at each annual general meeting one-third of the Directors are subject to retirement by rotation or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. Every Director shall be subject to retirement at an annual general meeting at least once every three years. Any other appointment, resignation, removal or re-designation of Director will be disclosed in a timely manner to the Shareholders of the Company by announcement and shall include in such announcement, the reasons given by the Director for his/her resignation.

Audit Committee

The Company has established an audit committee on 7 September 2010 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The audit committee currently comprises the four independent non-executive Directors, Ng Yuk Keung (Chairman), George Jay Hambro, Wang Wenfu and James Downing, and one non-executive Director, Cui Guiyong.

Up to the date of this annual report, the audit committee has held two meetings, at which the members of audit committee reviewed and discussed with the external auditors the Group's financial statements for the year ended 31 December 2010, and are of the opinion that such statements have complied with the applicable accounting standards, the Hong Kong Stock Exchange and legal requirements, and that adequate disclosure has been made. The above meetings were attended by all five members of the audit committee.

Auditors' Remuneration

For the year ended 31 December 2010, apart from the provision of annual audit services, the Group's external auditors, KPMG, were also the reporting accountants of the Company in relation to the Listing. For the year ended 31 December 2010, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Service	**Sum** *(HK$'000)*
Audit services	2,874
Audit-related services	—

The audit committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

Directors' and Auditors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company deploys appropriate and sufficient resources to prepare audited accounts. Senior management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Company to the audit committee and the Board and respond to the queries and concerns raised by the audit committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with IFRS. In addition, the financial statements include applicable disclosure required by the Listing Rules and by the Hong Kong Companies Ordinance. The reporting responsibility of the external auditors of the Company on the financial statements of the Group is set out in the independent auditors' report on page 61 of this annual report.

Remuneration Committee

The Company established a remuneration committee on 7 September 2010 with written terms of reference in compliance with paragraph B1 of the CG Code. The remuneration committee currently comprises one executive Director, Apolonius Struijk (Chairman), and two independent non-executive Directors, James Downing and Wang Wenfu. The primary duties of the remuneration committee are to review and formulate remuneration policies for the Directors and senior management, to make recommendations on the remuneration package of the Directors and senior management and to evaluate and make recommendations on employee benefit arrangements.

The remuneration committee held one meeting during the Review Period, at which the members of the committee reviewed the remuneration of the Directors and senior management with reference to their duties, responsibilities, experience, qualifications and performance. No Director took part in any discussion about his own remuneration. The meeting was attended by all three members of the remuneration committee. Details of the Directors' remuneration are set out in note 8 to the financial statements.

Nomination and Corporate Governance Committee

The Company established a nomination and corporate governance committee on 7 September 2010 with written terms of reference as recommended under the CG Code. The nomination and corporate governance committee comprises one executive Director, Yasuhisa Yamamoto (Chairman), and two independent non-executive Directors, 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.

The nomination and corporate governance committee held one meeting during the Review Period, at which the members of the committee reviewed and discussed the composition and structure of the Board and also evaluated the performance of the Board and its committees. The meeting was attended by all three members of the nomination and corporate governance committee.

Health and Safety and Environmental Committee

The Company established a health and safety and environmental committee on 7 September 2010 with written terms of reference. The health and safety and environmental committee comprises one independent non-executive Director, George Jay Hambro (Chairman), and two executive Directors, 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.

The health and safety and environmental committee held one meeting during the Review Period, at which the members of the committee reviewed and discussed health and safety strategy and implementation plan of the Company. The meeting was attended by all three members of the health and safety and environmental committee.

Corporate Governance Report

Internal Control

The internal control system has been designed to safeguard the assets of the Group, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The Board carried out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of the business. The system can only provide reasonable but not absolute assurance against misstatement or losses. For the year ended 31 December 2010, the Board considers that the Company's internal control system was adequate and effective and that the Company complied with the CG Code with respect to its internal controls.

Report of the Directors

Dear Shareholders,

The Board of Directors of Winsway Coking Coal Holdings Limited is pleased to present its first directors' report of the Company and the audited consolidated financial statements of the Company and its subsidiaries for the year end 31 December 2010 prepared in accordance with IFRS.

CORPORATE REORGANISATION

The Company was incorporated in the British Virgin Islands as a limited liability company on 17 September 2007.

Pursuant to the reorganisation steps undertaken by the Group in preparation for the Listing, details of which are set out in the "History, Reorganisation and Group Structure" section in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group.

The Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 11 October 2010.

PRINCIPAL ACTIVITIES

The Company is principally engaged in supplying coking coal into China, the world's largest and fastest-growing coking coal consuming market, and providing services to its suppliers and customers through its integrated platform comprising logistics parks, coal processing plants, and road and railway transportation capabilities.

Details of the Company's principal subsidiaries as at 31 December 2010 are set out in note 18 to the financial statements set out in this annual report.

OPERATING RESULTS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on pages 63 to 64 in this annual report.

An analysis of the Group's performance for the year is set out on pages 9 to 29 of this annual report.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 69 of this annual report.

As at 31 December 2010, the reserves available for distribution to the Shareholders of the Company in accordance with the Articles of Association and IFRS was HK$4,943,508,000 (2009: HK$557,524,109).

Subject to the BVI Business Companies Act 2004, the Company may declare final dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. The Articles of Association provide that dividends may be declared and paid out if the Directors are satisfied, on reasonable grounds, that, immediately after the payment of the dividends, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.

The reserves of the Group available for distribution depend on the dividend distributable by the Company's subsidiaries. Regulations in the PRC currently permit distribution by way of dividends by the PRC subsidiaries only out of accumulated profits as determined in accordance with the PRC generally accepted accounting principles. These distributable profits differ from those that are reflected in the Group's financial statements prepared in accordance with IFRS.

DIVIDENDS

On 16 September 2010, the Board declared and approved the payment of a dividend totalling RMB287,732,611, representing approximately 25% of the Group's retained earnings as at 30 June 2010, to the equity Shareholders of the Company, holders of the Convertible Bonds and holders of the Preferred Shares as of 16 September 2010, details of which are set out in note 32(b) to the financial statements set out in this annual report. On the same day, the Board resolved that an indicative and non-binding dividend payout ratio of 25% of the annual net profit generated by the Company be considered as a reference percentage for dividend declaration in future financial years.

Net profit attributable to equity Shareholders of the Company for 2010 under IFRS amounted to HK$929 million, representing basic earnings per Share of HK$0.352. The Board recommends the payment of a final dividend for 2010 in the amount of HK$0.061 per Share (inclusive of tax), representing 25% of the net profit attributable to equity Shareholders of the Company.

The register of members for the Shares will be closed from 10 May 2011 to 13 May 2011 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for (i) attendance and voting at the AGM to be held on 13 May 2011 (or any adjournment thereof) and (ii) the proposed final dividend for 2010, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Room 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 9 May 2011. The record date for the entitlement to the final dividend for 2010 will be 13 May 2011, that is, the final dividend for 2010 will be distributed to the Shareholders whose names appear on the register of members of the Company as at 13 May 2011. Subject to the approval by Shareholders at the forthcoming AGM, the final dividend for 2010 is expected to be paid in Hong Kong dollars on or about 25 May 2011.

Report of the Directors

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on page 158 of this annual report. The results for each of the three financial years ended 31 December 2009, and the assets, liabilities and non-controlling interests as at 31 December 2007, 2008 and 2009 in the summary have been extracted from the Prospectus.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2010 are set out in note 14 to the financial statements set out in this annual report.

SHARE CAPITAL

Details of the movements in the Share capital of the Company during the year are set out in note 32(c) to the financial statements set out in this annual report.

LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in note 25 to the financial statements set out in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Most of the Group's products are sold to steel makers and coke plants in China. For the year ended 31 December 2010, sales to the Group's five largest customers accounted for 33.9% of the total revenue of the Group, and sales to the largest customer included therein accounted for 13.1%.

For the year ended 31 December 2010, purchase from the Group's five largest suppliers accounted for 44.7% of the total purchases of the Group, and purchases from the largest supplier included therein accounted for 11.0%.

At no time during the year had the Directors, their associates or any Shareholder (who to the knowledge of the Directors own(s) more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

The Directors of the Company during the year and up to the date of this annual report are as follows:

Name	Position
Executive Directors	
Wang Xingchun	Chairman of the Board and Chief Executive Officer
Zhu Hongchan	Executive Director
Yasuhisa Yamamoto	Executive Director
Apolonius Struijk	Executive Director
Cui Yong	Executive Director
Non-executive Directors	
Cui Guiyong	Non-executive Director
Liu Qingchun	Non-executive Director
Lu Chuan	Non-executive Director
Independent Non-executive Directors	
James Downing	Independent Non-executive Director
Ng Yuk Keung	Independent Non-executive Director
Wang Wenfu	Independent Non-executive Director
George Jay Hambro	Independent Non-executive Director

Biographical details of the above Directors and the senior management of the Company are set out in the section headed "Profile of Directors and Senior Management" on pages 32 to 40 of this annual report.

In accordance with Articles 14.18 of the Articles of Association, Messrs. Cui Guiyong, Cui Yong, James Downing and George Jay Hambro will retire, and being eligible, will offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing on 7 September 2010. Each of the non-executive Directors and the independent non-executive Directors has signed a letter of appointment dated 7 September 2010 for a term of three years.

None of the Directors who are proposed for re-election at the forthcoming AGM has entered into any service agreements with the Company or any other member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company receive compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to the Company or discharging their duties in relation to the operations of the Company. When reviewing and determining the specific remuneration packages for executive Directors, the remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Director, employment elsewhere in the Group and desirability of performance-based remuneration.

Details of the remuneration of the Directors are set out in note 8 to the financial statements set out in this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent in accordance with the guidelines set out in the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES

As at 31 December 2010, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Name of Directors	Name of corporation	Nature of interest	Aggregate number of Shares or underlying Shares	Approximate percentage of interest in the corporation
Wang Xingchun[(1)]	The Company	Personal interest and interest of controlled corporation	1,838,726,109	48.54%
	Winsway Mongolian Transportation Pte. Ltd.	Beneficial owner	1	10%
Zhu Hongchan[(3)]	The Company	Personal interest	10,345,000	0.27%
Cui Yong[(2)]	The Company	Personal interest and interest of controlled corporation	34,232,000	0.90%
Yasuhisa Yamamoto[(3)]	The Company	Personal Interest	8,069,000	0.21%
Apolonius Struijk[(3)]	The Company	Personal interest	8,115,000	0.21%

Report of the Directors

Note:

(1) Mr. Wang indirectly holds the entire issued share capital of each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings and is deemed to be interested in the 204,244,421 Shares and 1,617,147,688 Shares held by each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively. In addition, Mr. Wang holds an option representing 17,334,000 Shares under the Pre-IPO Option Scheme.

(2) Mr. Cui Yong holds the entire issued share capital of Ray Splendid Limited and is deemed to be interested in the 26,002,000 Shares held by Ray Splendid Limited. In addition, Mr. Cui holds an option representing 8,230,000 Shares under the Pre-IPO Option Scheme.

(3) Options representing 10,345,000 Shares, 8,069,000 Shares and 8,115,000 Shares are held by Ms. Zhu Hongchan, Mr. Yasuhisa Yamamoto and Mr. Apolonius Struijk respectively under the Pre-IPO Option Scheme.

Save as disclosed above, as at 31 December 2010, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to sections 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

SHARE OPTIONS

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

According to the rules of the Pre-IPO Option Scheme ("**Scheme Rules**"), the Pre-IPO Option Scheme shall be valid and effective for a period of 5 years from 30 June 2010 ("**Adoption Date**"). The subscription price for the Shares under the Pre-IPO Option Scheme is HK$1.677 per share. The total number of Shares which may be issued upon the exercise of all options to be granted under the Pre-IPO Option Scheme and other share option schemes of the Company shall not exceed 5% of the Shares in issue on a fully diluted basis as at the Adoption Date, assuming conversion of the Convertible Bonds and the Preferred Shares.

Report of the Directors

Options granted under the Pre-IPO Option Scheme will vest every three months over a period of five years commencing from 1 April 2010 ("**Initial Vesting Date**") in equal portions (5% each) on the first day of each three-month period (a "**Vesting Date**") after the Initial Vesting Date. Option vested may not be exercised until the date falling 12 months after the Initial Vesting Date, but may otherwise be exercised at any time during the period of five years from the Adoption Date, subject to certain exceptions set out in the Scheme Rules. An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part on or after (but not before) the relevant Vesting Date by giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

Pursuant to the Pre-IPO Option Scheme, out of the 107,945,000 Shares which may be issued upon the exercise of all the options granted under the Pre-IPO Option Scheme, options representing 52,093,000 Shares were granted to 5 executive Directors, and options representing 55,852,000 Shares were granted to 22 other employees of the Group or its parent company group. For further details of the Pre-IPO Option Scheme, please refer to the section headed "Pre-IPO Option Scheme" in Appendix VII to the Prospectus. No option was exercised, cancelled or lapsed during the year ended 31 December 2010 and there were outstanding options representing 107,945,000 Shares as at 31 December 2010.

Options were granted under the Pre-IPO Option Scheme to the following executive Directors and other employees:

Name of grantee	**Position**		**Number of Shares subject to the Option**
Wang Xingchun	Chairman of the Board, Chief Executive Officer		17,334,000
Zhu Hongchan	Executive Director, Vice President		10,345,000
Cui Yong	Executive Director		8,230,000
Yasuhisa Yamamoto	Executive Director, Vice President		8,069,000
Apolonius Struijk	Executive Director, Vice President		8,115,000
		Sub-total	52,093,000
22 other employees		Sub-total	55,852,000
		Total	**107,945,000**

Save as disclosed above, at no time during the year was the Company, its holding companies or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

NON-COMPETITION DEED

In order to restrict competition activities between Mr. Wang and other Controlling Shareholders and the Company, the Controlling Shareholders have entered into a Non-competition Deed in favour of the Company dated 22 September 2010.

The undertakings and covenants stipulated under the Non-competition Deed cover any business undertaking involving supply of coking coal into the PRC (the "**Restricted Business**") except (a) through Mr. Wang's and other Controlling Shareholders' interest in the Group from time to time; or (b) being interested in any Restricted Business pursuant to any Business Opportunity (as defined below) in which the Company has decided not to make an investment as approved in writing by all the independent non-executive Directors.

Each of Mr. Wang and other Controlling Shareholders (collectively, the "**Covenanters**") has undertaken with the Company (for itself and for the benefit of members of the Group) that if any new business opportunity relating to any Restricted Business (excluding through any passive investment) (the "**Business Opportunity**") is made available to any of the Covenanters or their respective associates (other than the Company), it or he will refer or procure the relevant associate to refer such Business Opportunity to the Group with such information reasonably necessary for the Company to consider whether to pursue the Business Opportunity.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 31 December 2010, Shareholders who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Name of Corporation	Nature of interest	Aggregate number of Shares	Approximate percentage of interest in the corporation
Mr. Wang[(1)]	The Company	Personal interest and interest of controlled corporation	1,838,726,109	48.54%
Winsway Group Holdings[(2)]	The Company	Interest of controlled corporation	1,821,392,109	48.08%
Winsway Petroleum Holdings[(3)]	The Company	Interest of controlled corporation	204,244,421	5.39%
Winsway International Petroleum & Chemicals	The Company	Beneficial owner	204,244,421	5.39%
Winsway Resources Holdings	The Company	Beneficial owner	1,617,147,688	42.69%
Ong Tiong Sin	The Company	Interest of controlled corporation	351,654,602	9.28%
Fang Fenglei	The Company	Interest of controlled corporation	351,654,602	9.28%
Wellingfield Holdings Limited	The Company	Interest of controlled corporation	351,654,602	9.28%
Lancaster Holdings Limited	The Company	Interest of controlled corporation	351,654,602	9.28%
HOPU Investment Management Co., Ltd.	The Company	Interest of controlled corporation	351,654,602	9.28%
HOPU	The Company	Interest of controlled corporation	351,654,602	9.28%
Winstar	The Company	Beneficial owner	351,654,602	9.28%

Report of the Directors

Notes:

(1) Mr. Wang indirectly holds the entire issued share capital of each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings and is deemed to be interested in the 204,244,421 Shares and 1,617,147,688 Shares held by each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively. In addition, Mr. Wang holds an option representing 17,334,000 Shares under the Pre-IPO Option Scheme.

(2) Winsway Group Holdings indirectly holds the entire issued share capital of Winsway International Petroleum & Chemicals and directly holds the entire issued share capital of Winsway Resources Holdings and is deemed to be interested in the 204,244,421 Shares and 1,617,147,688 Shares held by each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively.

(3) Winsway Petroleum Holdings holds the entire issued share capital of Winsway International Petroleum & Chemicals and is deemed to be interested in the 204,244,421 Shares held by Winsway International Petroleum & Chemicals.

Save as disclosed above, as of 31 December 2010, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

CONTRACTS OF SIGNIFICANCE

No contracts of significance (as that term is used in Appendix 16 of the Listing Rules) in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year after the Listing.

No contracts of significance between the Company or any of its subsidiaries and a Controlling Shareholder of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

AUDIT COMMITTEE

The Company has 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 CG Code. The audit committee consists of four independent non-executive Directors, Ng Yuk Keung, George Jay Hambro, Wang Wenfu and James Downing, and one non-executive Director Cui Guiyong.

The audit committee has reviewed, together with the management of the Company, the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the financial statements of the Group for the year ended 31 December 2010.

PRE-EMPTIVE RIGHTS

There are no applicable provisions for pre-emptive rights under the Articles of Association or the BVI Business Companies Act 2004 under which the Company is incorporated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Review Period.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the CG Code. Throughout the Review Period, save as disclosed in the Corporate Governance Report in this annual report, the Company has complied with all the applicable code provisions as set out in the CG Code.

For details of the Corporate Governance Report, please refer to pages 41 to 47 of this annual report.

USE OF NET PROCEEDS FROM THE IPO

The Shares of the Company were listed on 11 October 2010 on the Main Board of the Hong Kong Stock Exchange. The total net proceeds from the Company's issue of new Shares (after deducting underwriting commissions and all related expenses) amounted to approximately HK$3.55 billion, which have been progressively applied in accordance with the proposed application set out in the section headed "Use of Proceeds" in the Prospectus.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the ordinary course of business are set out in note 34 to the financial statements set out in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief and as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules since the Listing.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Throughout the Review Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CHANGE IN PRESENTATION CURRENCY

The Company procures coal from around the world and the cost of such procurement is denominated in US dollars. In addition, the Shares of the Company have been listed on the Main Board of the Hong Kong Stock Exchange since October 2010 and are traded on the Hong Kong Stock Exchange in Hong Kong dollars. Given that the Hong Kong dollar is pegged to the US dollar and the Company is listed in Hong Kong, the Board resolved on 24 November 2010 that the presentation currency of the Company be changed from Renminbi to Hong Kong dollars, such change to take effect commencing with the financial statements of the Company for the financial year ended 31 December 2010.

AUDITORS

The Company has appointed KPMG as auditors of the Company for the year ended 31 December 2010. A resolution will be proposed for approval by the Shareholders of the Company at the forthcoming AGM to re-appoint KPMG as auditors of the Company.

SUBSEQUENT EVENTS

Details of subsequent events of the Company are set out on page 29 of this annual report.

On behalf of the Board
Wang Xingchun
Chairman

22 March 2011

Independent Auditor's Report

Independent Auditor's Report to the Shareholders of

Winsway Coking Coal Holdings Limited

(Incorporated in the British Virgin Islands with limited liability)

We have audited the consolidated financial statements of Winsway Coking Coal Holdings Limited ("the Company") and its subsidiaries (together referred to as "the Group") set out on pages 63 to 151, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (Continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

22 March 2011

Consolidated Income Statement

for the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Continuing operations			
Turnover	4	**9,271,665**	5,283,216
Cost of sales		**(7,154,115)**	(4,322,158)
Gross profit		**2,117,550**	961,058
Other revenue		**25,972**	8,902
Distribution costs		**(471,487)**	(268,945)
Administrative expenses		**(358,533)**	(103,974)
Other operating expenses, net	5	**(11,166)**	(730)
Profit from operating activities		**1,302,336**	596,311
Finance income	6(a)	**65,825**	7,041
Finance costs	6(a)	**(179,928)**	(42,034)
Net financial costs		**(114,103)**	(34,993)
Share of losses of a jointly controlled entity		**(8,080)**	—
Profit before taxation	6	**1,180,153**	561,318
Income tax	7	**(251,390)**	(70,367)
Profit from continuing operations		**928,763**	490,951
Discontinued operations			
Loss from discontinued operations (net of income tax)	37	**—**	(9,246)
Gain on sale of discontinued operations (net of income tax)	37	**—**	33,550
Profit for the year		**928,763**	515,255
Attributable to:			
Equity shareholders of the Company	10	**928,826**	515,255
Non-controlling interests		**(63)**	—
Profit for the year		**928,763**	515,255

The notes on pages 73 to 151 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 32(b).

Consolidated Income Statement (Continued)

for the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Earnings per share (HK$)	11		
Total operations			
— Basic		0.352	0.250
— Diluted		0.346	0.250
Continuing operations			
— Basic		0.352	0.238
— Diluted		0.346	0.238
Discontinued operations			
— Basic		–	0.012
— Diluted		–	0.012

The notes on pages 73 to 151 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 32(b).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Profit for the year		**928,763**	515,255
Other comprehensive income for the year:	13		
Exchange differences on translation of financial statements of overseas subsidiaries and a jointly controlled entity (net of income tax)		**45,164**	167
Total comprehensive income for the year		**973,927**	515,422
Attributable to:			
Equity shareholders of the Company		**971,957**	515,422
Non-controlling interests		**1,970**	—
Total comprehensive income for the year		**973,927**	515,422

The notes on pages 73 to 151 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Property, plant and equipment, net	14	473,927	447,008
Construction in progress	15	281,879	41,204
Lease prepayments	16	204,784	8,822
Intangible assets	17	237	75
Interest in a jointly controlled entity	19	362,956	—
Other investments in equity securities	20	89,054	16,354
Deferred tax assets	31(b)	48,262	34,334
Total non-current assets		1,461,099	547,797
Current assets			
Inventories	21	1,972,557	1,190,419
Trade and other receivables	22	2,450,881	1,840,260
Restricted bank deposits	23	344,062	642,536
Cash and cash equivalents	24	2,894,421	277,300
Total current assets		7,661,921	3,950,515
Current liabilities			
Secured bank and other loans	25	1,010,109	1,589,466
Trade and other payables	30	1,317,368	1,729,028
Income tax payable	31	90,708	35,709
Total current liabilities		2,418,185	3,354,203
Net current assets		5,243,736	596,312
Total assets less current liabilities		6,704,835	1,144,109

The notes on pages 73 to 151 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

at 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Non-current liabilities			
Secured bank and other loans	25	62,577	—
Deferred income	26	97,389	—
Total non-current liabilities		159,966	—
NET ASSETS		6,544,869	1,144,109
CAPITAL AND RESERVES			
Share capital	32(c)	5,014,339	383,522
Reserves	32	1,454,489	760,587
Total equity attributable to equity shareholders of the Company		6,468,828	1,144,109
Non-controlling interests		76,041	—
TOTAL EQUITY		6,544,869	1,144,109

Approved and authorised for issue by the board of directors on 22 March 2011.

WANG XING CHUN)
) Directors
YASUHISA YAMAMOTO)

The notes on pages 73 to 151 form part of these financial statements.

Statement of Financial Position

at 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Property, plant and equipment, net	14	29	—
Investments in subsidiaries	18	423,005	412,420
Total non-current assets		423,034	412,420
Current assets			
Trade and other receivables	22	2,602,858	576,550
Restricted bank deposits	23	180,120	—
Cash and cash equivalents	24	1,801,298	28,587
Total current assets		4,584,276	605,137
Current liabilities			
Trade and other payables	30	63,802	460,033
Total current liabilities		63,802	460,033
Net current assets		4,520,474	145,104
NET ASSETS		4,943,508	557,524
CAPITAL AND RESERVES			
Share capital	32(c)	5,014,339	383,522
Reserves	32	(70,831)	174,002
TOTAL EQUITY		4,943,508	557,524

Approved and authorised for issue by the board of directors on 22 March 2011.

WANG XING CHUN)
) Directors
YASUHISA YAMAMOTO)

The notes on pages 73 to 151 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company							
		Share capital $'000 (Note 32(c))	Statutory reserve $'000 (Note 32(d))	Other reserve $'000 (Note 32(d))	Exchange reserve $'000 (Note 32(d))	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2009		383,522	7,829	(24,073)	8,434	230,732	606,444	—	606,444
Total comprehensive income for the year		—	—	—	167	515,255	515,422	—	515,422
Arising from the Reorganisation (as defined in Note 1)		—	—	22,243	—	—	22,243	—	22,243
Appropriation to statutory reserve		—	15,459	—	—	(15,459)	—	—	—
Balance at 31 December 2009		383,522	23,288	(1,830)	8,601	730,528	1,144,109	—	1,144,109

The notes on pages 73 to 151 form part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2010 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
	Note	Share capital $'000 (Note 32(c))	Statutory reserve $'000 (Note 32(d))	Other reserve $'000 (Note 32(d))	Exchange reserve $'000 (Note 32(d))	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2010		383,522	23,288	(1,830)	8,601	730,528	1,144,109	–	1,144,109
Capital injection		78,003	–	–	–	–	78,003	–	78,003
Arising from the Reorganisation (as defined in Note 1)		–	–	(23,208)	–	–	(23,208)	–	(23,208)
Equity component of convertible bonds	27	–	–	18,216	–	–	18,216	–	18,216
Equity component of redeemable convertible preferred shares	28	–	–	16,794	–	–	16,794	–	16,794
Partial disposal of equity interest in a subsidiary company		–	–	3,038	–	–	3,038	50,473	53,511
Contribution from non-controlling interests		–	–	–	–	–	–	23,598	23,598
Dividends declared and paid to the equity shareholder of the Company	32(b)	–	–	–	–	(243,703)	(243,703)	–	(243,703)
Dividends declared and paid to the holder of redeemable convertible preferred shares	32(b)	–	–	–	–	(43,302)	(43,302)	–	(43,302)
Interests paid to the holders of convertible bonds	32(b)	–	–	–	–	(42,039)	(42,039)	–	(42,039)
Conversion of convertible bonds	27	489,154	–	(18,216)	–	–	470,938	–	470,938
Conversion of redeemable convertible preferred shares	28	485,860	–	(16,794)	–	–	469,066	–	469,066
Share issued for investment in the jointly-controlled entity		77,594	–	–	–	–	77,594	–	77,594
Issue of new share, net of issuing expenses		3,500,206	–	–	–	–	3,500,206	–	3,500,206
Equity settled share-based transactions		–	–	71,159	–	–	71,159	–	71,159
Total comprehensive income for the year		–	–	–	43,131	928,826	971,957	1,970	973,927
Appropriation to statutory reserve		–	85,456	–	–	(85,456)	–	–	–
Balance at 31 December 2010		5,014,339	108,744	49,159	51,732	1,244,854	6,468,828	76,041	6,544,869

The notes on pages 73 to 151 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Operating activities			
Profit for the year		928,763	515,255
Adjustments for:			
Depreciation		56,129	56,772
Amortisation of lease prepayments		2,390	47
Amortisation of intangible assets		86	642
Interest income		(18,768)	(10,534)
Interest expense		179,928	48,843
Equity settled share-based transactions		71,159	—
Loss on disposal of property, plant and equipment		5,031	454
Gain on disposal of discontinued operations	37	—	(33,550)
Share of loss of a jointly controlled entity		8,080	—
Foreign exchange (gain)/loss, net		(47,057)	1,338
Income tax	7	251,390	70,315
		1,437,131	649,582
Increase in inventories		(782,138)	(913,830)
Decrease/(increase) in trade and other receivables		24,309	(1,752,434)
(Decrease)/increase in trade and other payables		(420,635)	1,703,379
Income tax paid		(211,275)	(39,320)
Net cash generated from/(used in) operating activities		47,392	(352,623)
Investing activities			
Payment for purchase of property, plant and equipment, construction in progress, lease prepayments and intangible assets		(855,979)	(191,954)
Government grants received		97,389	—
Proceeds from sales of property, plant and equipment		60,406	—
Proceeds from disposal of discontinued operations		—	87,888
Loans to a third party company		(311,328)	—
Interest received		18,768	9,010
Decrease/(increase) in restricted bank deposits		298,474	(535,863)
Payment for purchase of investments in equity securities		(70,657)	(16,341)
Payment for investment in a jointly controlled entity		(293,442)	—
Net cash used in investing activities		(1,056,369)	(647,260)

The notes on pages 73 to 151 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Financing activities			
Proceeds from bank and other loans		7,748,414	2,230,761
Repayment of bank and other loans		(8,275,569)	(1,029,224)
Interest paid		(94,954)	(50,655)
Dividends paid	32(b)	(328,426)	—
Distribution to equity shareholders of the Company		(23,208)	—
Capital injections from equity shareholders of the Company		78,003	—
Contribution from equity shareholders of the Company		—	13,618
Proceeds from the issue of convertible bonds, net of issuing expenses		445,902	—
Proceeds from the issue of redeemable convertible preferred shares, net of issuing expenses		442,100	—
Proceeds from shares issued		3,663,000	—
Payment of issuing expense		(115,553)	—
Proceeds from partial disposal of interest in a subsidiary company		5,610	—
Contribution from non-controlling interests		23,598	—
Net cash generated from financing activities		3,568,917	1,164,500
Net increase in cash and cash equivalents		2,559,940	164,617
Cash and cash equivalents at 1 January	24(a)	277,300	112,416
Effect of foreign exchange rate changes		57,181	267
Cash and cash equivalents at 31 December	24(a)	2,894,421	277,300

The notes on pages 73 to 151 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION AND GROUP REORGANISATION

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). At the date of incorporation, the Company was named as "China Bestcway 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. The Company and its subsidiaries are principally engaged in the processing and trading of coking coals and investment holding in a jointly controlled entity developing coal mills. The consolidated financial statements of the Company for the year ended 31 December 2010 comprise the Company and its subsidiaries.

Pursuant to a group reorganisation completed on 9 August 2010 (the "Reorganisation") to rationalise the group structure for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 27 September 2010. The Company's shares were listed on the Stock Exchange on 11 October 2010.

The Group is regarded as a continuing group resulting from the Reorganisation under common control. The assets and liabilities of the Company and its subsidiaries under common control have been accounted for at historical costs and the consolidated financial statements of the Company prior to the Reorganisation have been presented to include the results of operations and the assets and liabilities of the Company and its subsidiaries on a combined basis.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

The financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a jointly controlled entity.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— Convertible notes (see Note 2(m));

— Preferred shares (see Note 2(o)); and

— Share-based payments (see Note 2(r)(ii)).

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

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

Judgements made by management in the application of IFRSs that have significant effect on these financial statements and major sources of estimation uncertainty are discussed in Note 38.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the functional currency of the Company and its subsidiaries. The Company's functional currency is United Stated dollars ("US$"). As the Company is a listed company in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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.

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement 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. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2 (m), (n), (o) or (p) depending on the nature of the liability.

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) 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 consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 2(e) and (j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of 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 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 transactions 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.

In the Company's statement of financial position, investments in jointly controlled entities are stated at cost less impairment losses (see Note 2(j)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred and the fair value of the Group's previously held equity interest in the acquiree; over

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

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

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

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

(f) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

Investments 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 statement of financial position at cost less impairment losses (see Note 2(j)).

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the statement of financial position at cost less impairment losses (see Note 2(j)). 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, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(w)).

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation with finite useful lives, and impairment losses (see Note 2(j)). 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:

Coal business license in the PRC	3 years
Software	10 years

(i) Leased assets

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

(i) Classification of assets leased to the Group

Assets that are held by 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) Operating lease charges

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

(iii) 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 2(j)). Amortisation is charged to profit or loss on a straight-line basis over the period of the land use rights.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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 the end of the reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

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

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

- For investments in jointly controlled entities recognised using the equity method (see Note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with Note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(j)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

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

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where 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 the end of the each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;

- construction in progress;

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

- lease prepayments;
- intangible assets;
- investments in subsidiaries; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less cost 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 first to reduce the carrying amount of any goodwill allocated to 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 year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) 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 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost, less allowance for impairment of doubtful debts.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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 as consideration for the shares issued. If the note is redeemed, the other reserve is released directly to retained earnings.

(n) 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.

(o) 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 preferred shareholders of the Company, or if dividend payments are not discretionary. The liabilities are recognised in accordance with the Group's policy for interest-bearing borrowings set out in Note 2(n) and accordingly dividends thereon are recognised on an accruals basis in profit or loss as part of finance costs.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(t)(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.

(q) 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.

(r) 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 lattice 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 year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the other reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options 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).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

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

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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 2(t)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the assets.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Translation of foreign currencies (Continued)

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) 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.

(x) 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 if the operation is abandoned.

Where an operation is classified as discontinued, the below is presented on the face of the income statement, 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Related parties

For the purposes of these financial statements, 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 an associate of the Group or a joint venture in which the Group is a venture.

(iv) 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;

(v) 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

(vi) 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.

(z) Segment reporting

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

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

3 CHANGES IN ACCOUNTING POLICIES

(a) Change in presentation currency

During the current year, the Group has changed its presentation currency for the preparation of its financial statements from Renminbi ("RMB") to Hong Kong dollars ("HK$"). The Board of Directors considers the change will result in a more appropriate presentation of the Group's transactions in the financial statements. Whereas the change in presentation currency of the Company was applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the comparative figures as at 31 December 2009 and for the year ended 31 December 2009 have also been restated to the change in presentation currency to HK$ accordingly.

The change in presentation currency has no significant impact on the financial position of the Group as at 31 December 2009 and 2010, or the results and cash flows of the Group for the years ended 31 December 2009 and 2010.

(b) Revised IFRSs, amendments to IFRSs and new interpretations

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and two new interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 3 (revised 2008), Business combinations
- Amendments to IAS 27, Consolidated and separate financial statements
- Amendments to IAS 31, Interest in joint ventures
- Improvements to IFRSs (2009)

The amendment to IFRS 3 and IAS 31 have had no material impact on the Group's financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group. Other change in accounting policies which is relevant to the Group's financial statements is as follows:

- As a result of the amendment to IAS 17, Leases, arising from the "Improvements to IFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate. This change in accounting policy has no material impact on the current or previous periods as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Revised IFRSs, amendments to IFRSs and new interpretations (Continued)

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 coals. Turnover represents the sales value of goods sold, net of value added tax and other sales taxes and is after any trade discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	Continuing operations	
	2010	2009
	$'000	$'000
Cleaned coking coals	**4,284,114**	1,787,133
Raw coking coals	**789,320**	207,712
Hard coals	**4,155,712**	3,215,877
Others	**42,519**	72,494
	9,271,665	5,283,216

The Group's customer base is diversified and includes only one customer (2009: Nil) with whom transactions have exceeded 10% of the Group revenues.

In 2010 revenue from sales of coking coals to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately $1,219 million (2009: Nil) and arose in the PRC in which the processing and trading of coking coals division is active.

Details of concentration of credit risk arising from the largest and the largest five customers are set out in Note 33(a).

5 OTHER OPERATING EXPENSES, NET

Other operating expenses mainly represent losses on disposal of materials and property, plant and equipment.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Interest income	**(18,768)**	(7,041)	**–**	(1,969)	**(18,768)**	(9,010)
Finance income on receivables under finance lease	**–**	–	**–**	(1,524)	**–**	(1,524)
Total interest income	**(18,768)**	(7,041)	**–**	(3,493)	**(18,768)**	(10,534)
Foreign exchange gain, net	**(47,057)**	–	**–**	–	**(47,057)**	–
Finance income	**(65,825)**	(7,041)	**–**	(3,493)	**(65,825)**	(10,534)
Interest on secured bank and other loans wholly repayable within five years	**37,661**	20,343	**–**	8,147	**37,661**	28,490
Interest on discounted bills	**41,642**	20,353	**–**	–	**41,642**	20,353
Interest on liability component of convertible bonds	**49,942**	–	**–**	–	**49,942**	–
Interest on liability component of redeemable convertible preferred shares	**50,683**	–	**–**	–	**50,683**	–
Total interest expense	**179,928**	40,696	**–**	8,147	**179,928**	48,843
Foreign exchange loss, net	**–**	1,338	**–**	–	**–**	1,338
Finance costs	**179,928**	42,034	**–**	8,147	**179,928**	50,181
Net finance costs	**114,103**	34,993	**–**	4,654	**114,103**	39,647

6 PROFIT BEFORE TAXATION (Continued)

(b) Staff costs

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Salaries, wages, bonus and other benefits	**139,452**	36,635	**–**	494	**139,452**	37,129
Contributions to defined contribution retirement plan	**3,743**	844	**–**	1	**3,743**	845
Share-based payment expenses	**71,159**	—	**–**	—	**71,159**	—
	214,354	37,479	**–**	495	**214,354**	37,974

Staff costs included directors' remuneration (see Note 8).

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 year.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 PROFIT BEFORE TAXATION (Continued)

(c) Other items

	Continuing operations		Discontinued operations		Total	
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Government grants	**24,467**	8,902	**—**	—	**24,467**	8,902
Amortisation						
— leased assets	**2,390**	47	**—**	—	**2,390**	47
— intangible assets	**86**	448	**—**	194	**86**	642
Depreciation	**56,129**	53,968	**—**	2,804	**56,129**	56,772
Operating lease charges, mainly relating to buildings	**30,768**	8,860	**—**	—	**30,768**	8,860
Auditors' remuneration						
— audit services	**3,800**	3,242	**—**	—	**3,800**	3,242
Listing expenses	**32,286**	—	**—**	—	**32,286**	—
Cost of inventories#	**7,154,115**	4,322,158	**—**	—	**7,154,115**	4,322,158

Cost of inventories includes $14,050,294 (2009: $8,020,889) and $35,619,953 (2009: $29,531,167) for the year ended 31 December 2010 relating to staff costs and depreciation which amount is also included in the respective total amount disclosed separately above or in Note 6(b) for each type of these expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Total	
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Current tax						
Provision for the year	**263,971**	62,527	**—**	(52)	**263,971**	62,475
Deferred tax						
Origination and reversal of temporary differences	**(12,581)**	7,840	**—**	—	**(12,581)**	7,840
	251,390	70,367	**—**	(52)	**251,390**	70,315

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(a) Taxation in the consolidated income statement represents: (Continued)

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

No provision has been made for Hong Kong Profits Tax as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the year.

The provision for PRC current income tax is based on a statutory rate of 25% (2009: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

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

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Profit before taxation	**1,180,153**	561,318	**–**	24,252	**1,180,153**	585,570
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**226,014**	57,992	**–**	1,073	**226,014**	59,065
Tax effect of non-deductible expenses/(non-taxable income)	**945**	4,563	**–**	(1,125)	**945**	3,438
Tax effect of deferred tax assets on unrealised profits	**12,705**	7,812	**–**	–	**12,705**	7,812
Tax effect of unused tax losses not recognised	**11,726**	–	**–**	–	**11,726**	–
Actual tax expense	**251,390**	70,367	**–**	(52)	**251,390**	70,315

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies is as follows:

	2010					
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Equity settled share-based payments $'000	Total $'000
Executive directors						
Wang Xingchun	–	7,374	–	–	11,427	18,801
Cui Yong	–	2,800	–	–	5,426	8,226
Zhu Hongchan	–	1,956	–	–	6,820	8,776
Yasuhisa Yamamoto	–	4,870	–	–	5,319	10,189
Apolonius Struijk	–	4,870	–	–	5,350	10,220
Non-executive directors						
Cui Guiyong	–	–	–	–	–	–
Liu Qingchun	–	–	–	–	–	–
Lu Chuan	–	–	–	–	–	–
Independent non-executive directors						
James Downing	829	–	–	–	–	829
Ng Yuk Keung	829	–	–	–	–	829
Jay Hambro	564	–	–	–	–	564
Wang Wenfu	564	–	–	–	–	564
Total	2,786	21,870	–	–	34,342	58,998

8 DIRECTORS' REMUNERATION (Continued)

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies is as follows: (Continued)

	2009					
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Equity settled share-based payments $'000	Total $'000
Executive directors						
Wang Xingchun	1,196	–	–	–	–	1,196
Cui Yong	–	204	–	–	–	204
Zhu Hongchan	–	–	–	–	–	–
Yasuhisa Yamamoto	–	1,170	–	–	–	1,170
Apolonius Struijk	–	545	–	–	–	545
Non-executive directors						
Cui Guiyong	–	–	–	–	–	–
Liu Qingchun	–	–	–	–	–	–
Lu Chuan	–	–	–	–	–	–
Independent non-executive directors						
James Downing	–	–	–	–	–	–
Ng Yuk Keung	–	–	–	–	–	–
Jay Hambro	–	–	–	–	–	–
Wang Wenfu	–	–	–	–	–	–
Total	1,196	1,919	–	–	–	3,115

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, five (2009: three) are directors whose emoluments are disclosed in Note 8. During the year ended 31 December 2009, the aggregate of the emoluments in respect of the other two individuals were as follows:

	2010 $'000	2009 $'000
Salaries and other emoluments	**—**	860
Discretionary bonuses	**—**	—
Share-based payments	**—**	—
Retirement scheme contributions	**—**	—
	—	860

During the year ended 31 December 2009, the emoluments of the two individuals with the highest emoluments were within the following bands:

	2010 Number of individuals	2009 Number of individuals
Nil to $1,000,000	**—**	2

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $16,195,376 (2009: $178,009,047) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in Note 32(b).

11 EARNING PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $872,734,000 (2009: $515,254,805) and the weighted average of 2,480,152,375 ordinary shares (2009: 2,060,606,060 shares) in issue during the year.

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 year ended 31 December 2010, they are treated as anti-dilutive in the year. As a result, the calculation of diluted earnings per share does not assume conversion of redeemable convertible preferred shares during the year ended 31 December 2010.

The basic earnings per share is calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (basic)

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Profit attributable to equity shareholders of the Company	**928,826**	490,951	**–**	24,304	**928,826**	515,255
Profit attributable to the holder of redeemable convertible preferred shares	**(56,092)**	–	**–**	–	**(56,092)**	–
Profit attributable to ordinary equity shareholders of the Company (basic)	**872,734**	490,951	**–**	24,304	**872,734**	515,255

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 EARNING PER SHARE (Continued)

(a) Basic earnings per share (Continued)

(ii) Weighted average number of ordinary shares (basic)

	2010 '000	2009 '000
Issued ordinary shares at 1 January	2,060,606	2,060,606
Effect of issues of ordinary shares under the public offering	222,411	—
Effect of conversion of redeemable convertible preferred shares	97,634	—
Effect of conversion of convertible bonds	94,786	—
Effect of conversion of payable in connection with acquisition of the jointly controlled entity	4,715	—
Weighted average number of ordinary shares (basic) as at 31 December	2,480,152	2,060,606

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the year ended 31 December 2009. The calculation of diluted earnings per share for the year ended 31 December 2010 is based on the profit attributable to ordinary equity shareholders of the Company of $922,676,000 and the weighted average of 2,665,520,781 ordinary shares in issue during the year, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2010 $'000
Profit attributable to ordinary equity shareholders of the Company	872,734
After tax effect interest expense on liability component of convertible bonds	49,942
Profit attributable to ordinary equity shareholders of the Company (diluted)	922,676

11 EARNING PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

(ii) Weighted average number of ordinary shares (diluted)

	2010 '000
Weighted average number of ordinary shares as at 1 January	**2,480,152**
Effect of deemed issue of shares under the Company's share option scheme for Nil consideration (Note 29)	**15,390**
Effect of conversion of convertible bonds	**169,979**
Weighted average number of ordinary shares (diluted) as at 31 December	**2,665,521**

12 SEGMENT REPORTING

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

- Processing and trading of coking coals: this segment constructs, manages and operates coal processing plants and generates income from trading of coking coals to external customers within the PRC.

- Coal mining: this segment acquires, explores and develops coal mining. The Group acquired the equity interest in a jointly controlled entity operating in the coal mining segment (Note 19) and commenced its business in this segment during the year ended 31 December 2010.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets. Segment liabilities include trade and other payables, deferred income and bank and other borrowings.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2010 is set out below.

	Continuing operations					
	Processing and trading of coking coals		Coal mining		Total	
	2010	2009	**2010**	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Reportable segment revenue	**9,271,665**	5,283,216	**–**	–	**9,271,665**	5,283,216
Reportable segment profit (adjusted EBITDA)	**1,360,941**	650,774	**(8,080)**	–	**1,352,861**	650,774
Interest income	**18,768**	7,041	**–**	–	**18,768**	7,041
Interest expense	**(179,928)**	(40,696)	**–**	–	**(179,928)**	(40,696)
Depreciation and amortisation for the year	**(58,605)**	(54,463)	**–**	–	**(58,605)**	(54,463)
Reportable segment assets	**8,711,802**	4,463,978	**362,956**	–	**9,074,758**	4,463,978
Additions to non-current segment assets during the year	**536,418**	131,419	**362,956**	–	**899,374**	131,419
Reportable segment liabilities	**2,487,443**	3,318,494	**–**	–	**2,487,443**	3,318,494

12 SEGMENT REPORTING (Continued)

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

	2010 $'000	2009 $'000
Revenue		
Reportable segment revenue	9,271,665	5,283,216
Consolidated turnover	9,271,665	5,283,216
Profit		
Reportable segment profit	1,352,861	650,774
Depreciation and amortisation	(58,605)	(54,463)
Net finance costs	(114,103)	(34,993)
Consolidated profit before taxation	1,180,153	561,318
Assets		
Reportable segment assets	9,074,758	4,463,978
Deferred tax assets	48,262	34,334
Consolidated total assets	9,123,020	4,498,312
Liabilities		
Reportable segment liabilities	2,487,443	3,318,494
Current tax liabilities	90,708	35,709
Consolidated total liabilities	2,578,151	3,354,203

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets with the exception of deferred tax assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in a jointly controlled entity.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 SEGMENT REPORTING (Continued)

(c) Geographic information (Continued)

	Revenues from external customers		Specified non-current assets	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
The PRC (including Hong Kong and Macau)	**9,165,694**	5,283,216	**1,045,097**	432,878
Mongolia	**3,208**	—	**363,307**	80,493
Other countries	**102,763**	—	**4,433**	92
	9,271,665	5,283,216	**1,412,837**	513,463

13 OTHER COMPREHENSIVE INCOME

Other comprehensive income does not have any tax effect for the year ended 31 December 2010 (2009: Nil).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT, NET

(a) The Group

	Buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Office and other equipment $'000	Total $'000
Cost:					
At 1 January 2009	106,009	55,887	193,564	12,509	367,969
Additions	470	3,635	32,934	3,924	40,963
Transferred from construction in progress (Note 15)	95,442	61,607	–	864	157,913
Disposals	–	–	(7,049)	–	(7,049)
Disposal of subsidiaries (Note 37)	(465)	(19,368)	(15,028)	(1,141)	(36,002)
Exchange adjustments	244	111	256	39	650
At 31 December 2009	201,700	101,872	204,677	16,195	524,444
At 1 January 2010	201,700	101,872	204,677	16,195	524,444
Additions	17,216	19,532	44,385	15,078	96,211
Transferred from construction in progress (Note 15)	83,461	11,747	–	–	95,208
Disposals	(6,269)	–	(182,501)	(39)	(188,809)
Exchange adjustments	3,011	4,851	2,511	1,234	11,607
At 31 December 2010	**299,119**	**138,002**	**69,072**	**32,468**	**538,661**
Accumulated depreciation:					
At 1 January 2009	7,684	9,560	21,801	1,036	40,081
Charge for the year	6,484	7,298	40,405	2,585	56,772
Written back on disposal	–	–	(2,287)	–	(2,287)
Disposal of subsidiaries (Note 37)	(61)	(8,815)	(7,819)	(511)	(17,206)
Exchange adjustments	18	8	46	4	76
At 31 December 2009	14,125	8,051	52,146	3,114	77,436
At 1 January 2010	14,125	8,051	52,146	3,114	77,436
Charge for the year	7,045	9,235	33,910	5,939	56,129
Written back on disposal	(1,013)	–	(69,960)	(2)	(70,975)
Exchange adjustments	659	584	674	227	2,144
At 31 December 2010	**20,816**	**17,870**	**16,770**	**9,278**	**64,734**
Net book value:					
At 31 December 2010	**278,303**	**120,132**	**52,302**	**23,190**	**473,927**
At 31 December 2009	187,575	93,821	152,531	13,081	447,008

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

(b) The Company

	Office and other equipment $'000
Cost:	
At 1 January/31 December 2009	—
At 1 January 2010	—
Additions	35
At 31 December 2010	**35**
Accumulated depreciation:	
At 1 January/31 December 2009	—
At 1 January 2010	—
Charge for the year	6
At 31 December 2010	**6**
Net book value:	
At 31 December 2010	**29**
At 31 December 2009	—

An analysis of the location of the Group and the Company's property, plant and equipment as below:

	The Group 2010 $'000	2009 $'000
The PRC (including Hong Kong and Macau)	**469,143**	366,423
Mongolia	**351**	80,493
Others	**4,433**	92
Aggregate net book value	**473,927**	447,008

14 PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

(b) The Company (Continued)

	The Company	
	2010	2009
	$'000	$'000
The PRC (including Hong Kong and Macau)	**29**	—

As at 31 December 2009, the Group's buildings with a carrying amount of $40,069,037 were pledged as collateral for a third party's borrowings. Such pledge has been released during the year ended 31 December 2010.

As at 31 December 2010, the Group's motor vehicles with a carrying amount of $3,579,887 (2009: $Nil) were pledged as collateral for the Group's borrowings.

As at 31 December 2010, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to $42,210,246 (2009: $61,849,510). 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.

15 CONSTRUCTION IN PROGRESS

	The Group	
	2010	2009
	$'000	$'000
At 1 January	**41,204**	14,681
Additions	**327,157**	184,393
Transferred to property, plant and equipment (Note 14)	**(95,208)**	(157,913)
Exchange adjustments	**8,726**	43
At 31 December	**281,879**	41,204

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 LEASE PREPAYMENTS

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

	The Group	
	2010	2009
	$'000	$'000
Cost:		
At 1 January	**9,042**	9,028
Additions	**192,704**	—
Exchange adjustments	**5,606**	14
At 31 December	**207,352**	9,042
Accumulated amortisation:		
At 1 January	**220**	173
Charge for the year	**2,390**	47
Exchange adjustments	**(42)**	—
At 31 December	**2,568**	220
Net book value:		
At 31 December	**204,784**	8,822

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 2010, land use rights with a total carrying amount of $55,245,106 (2009: $Nil) were pledged as collateral for the Group's borrowings.

At 31 December 2009, land use rights with a total carrying amount of $1,142,530 were pledged as collateral for a third party's borrowings. Such pledge has been released during the year ended 31 December 2010.

17 INTANGIBLE ASSETS

	The Group	
	2010	2009
	$'000	$'000
Cost:		
At 1 January	**1,347**	4,834
Addition	**240**	—
Disposal of subsidiaries	**—**	(3,492)
Exchange adjustments	**61**	5
At 31 December	**1,648**	1,347
Accumulated amortisation:		
At 1 January	**1,272**	4,117
Charge for the year	**86**	642
Disposal of subsidiaries	**—**	(3,492)
Exchange adjustments	**53**	5
At 31 December	**1,411**	1,272
Net book value:		
At 31 December	**237**	75

Cost of intangible assets mainly represents the cost of software and coal business licences in the PRC.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES

	The Company 2010 $'000	2009 $'000
Unlisted shares, at cost	**423,005**	412,420

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

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company Direct	Indirect	Principal activities
Lucky Colour Limited ("Lucky Colour")	11 March 2008 British Virgin Islands ("BVI")	United States dollars ("US$") 1	100%	–	Investment holding
Reach Goal Management Ltd.	2 January 2009 BVI	US$21,770,001	100%	–	Investment holding
Winsway Coking Coal (HK) Holdings Limited ("Winsway Coking Coal Holdings (HK)")	23 October 2009 Hong Kong	US$31,312,613	100%	–	Investment holding
Winsway Australia Pty. Ltd. ("Winsway Australia")	9 November 2009 Commonwealth of Australia ("Australia")	Australian dollars ("AUD") 492,994	100%	–	Internal marketing and consulting service
Winsway Coking Coal (Macao Commercial Offshore) Limited	2 August 2010 Macau	Macau Pataca ("MOP$") 100,000	100%	–	Internal accounting and document processing
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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Winsway Investment Management Co., Ltd. ("Beijing Winsway")	6 November 1995 The People's Republic of China ("PRC")	US$63,500,000	–	100%	Investment holding
Cheer Top Enterprises Limited ("Cheer Top")	5 January 2005 BVI	US$23,303,911	–	100%	Investment holding
Color Future International Limited ("Color Future")	5 January 2005 BVI	US$21,770,001	–	100%	Trading of coals
Urad Zhongqi Yiteng Mining Co., Ltd. ("Yiteng")	7 September 2005 PRC	RMB210,000,000	–	100%	Processing and trading of coals
Royce Petrochemicals Limited ("Royce Petrochemicals")	28 October 2005 BVI	US$3,900,001	–	100%	Investment holding
Inner Mongolia Haotong Energy Joint Stock Co., Ltd. ("Inner Mongolia Haotong")	18 November 2005 PRC	RMB350,000,000	–	100%	Trading of coals
Erlianhaote Haotong Energy Co., Ltd. ("Erlianhaote Haotong")	18 January 2007 PRC	RMB95,370,000	–	51%	Trading of coals
Ejina Qi Haotong Energy Co., Ltd. ("Ejinaqi Haotong")	19 May 2008 PRC	RMB80,000,000	–	100%	Processing and trading of coals

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company Direct	Indirect	Principal activities
East Wuzhumuqin Qi Haotong Energy Co., Ltd. ("East Wuzhumuqin Qi Haotong")	29 July 2008 PRC	RMB10,000,000	–	100%	Trading of coals
Baotou-city Haotong Energy Co., Ltd. ("Baotou Haotong")	18 September 2008 PRC	RMB10,000,000	–	100%	Trading of coals
Nantong Haotong Energy Co., Ltd. ("Nantong Haotong")	24 February 2009 PRC	RMB120,000,000	–	100%	Trading of coals
Yingkou Haotong Mining Co., Ltd. ("Yingkou Haotong")	16 November 2009 PRC	RMB70,000,000	–	100%	Trading of coals
Manzhouli Haotong Energy Co., Ltd. ("Manzhouli Haotong")	23 December 2009 PRC	RMB80,000,000	–	100%	Trading of coals
Suifenhe Winsway Resources Co., Ltd. ("Suifenhe Winsway")	24 December 2009 PRC	RMB10,000,000	–	100%	Trading of coals
Baotou Mandula Winsway Energy Co., Ltd. ("Baotou Mandula")	21 January 2010 PRC	RMB10,000,000	–	100%	Trading of coals
Ulanqab Haotong Energy Co., Ltd. ("Ulanqab Haotong")	2 March 2010 PRC	RMB70,000,000	–	100%	Trading of coals
Longkou Winsway Energy Co., Ltd. ("Longkou Winsway")	27 April 2010 PRC	RMB53,350,346	–	100%	Trading of coals

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ejina Qi Ruyi Winsway Energy Co., Ltd. ("Ejina Qi Winsway")	30 June 2010 PRC	RMB4,000,000	–	51%	Logistics service
Urad Zhongqi Ruyi Haotong Energy Co., Ltd. ("Urad Zhongqi Haotong")	14 July 2010 PRC	RMB4,000,000	–	51%	Logistics service
Bayannao'er City Ruyi Winsway Energy Co., Ltd. ("Bayannao'er Winsway")	14 July 2010 PRC	RMB4,000,000	–	51%	Logistics service
Inner Mongolia Hutie Winsway Logistics Co., Ltd. ("Inner Mongolia Hutie Winsway Logistics")	22 July 2010 PRC	RMB30,000,000	–	51%	Logistics service
Xinjiang Winsway Energy Co., Ltd. ("Xinjiang Winsway")	9 August 2010 PRC	RMB10,000,000	–	100%	Trading of coals
Zhoushan Winsway Energy Co., Ltd. ("Zhoushan Winsway")	15 November 2010 PRC	RMB2,000,000	–	100%	Processing and trading of coals

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group 2010 $'000	2009 $'000
Share of net assets	**319,767**	—
Goodwill	**43,189**	—
	362,956	—

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 other directly attributable costs amounting to US$46,248,336.

Details of the Group's interest in the jointly controlled entity are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Issued and fully paid up capital	Group's effective interest	Principal activities
Peabody-Winsway Resources B.V. ("Peabody-Winsway")	Incorporated	The Kingdom of the Netherlands	Euro36,000	50%	Acquisition, sale, exploration, development, mining, processing and commercial exploitation of mineral and metal resources

19 INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

Summary financial information on jointly controlled entity — Group's effective interest:

	2010 $'000	2009 $'000
Non-current assets	**352,543**	—
Current assets	**5,852**	—
Non-current liabilities	**(37,975)**	—
Current liabilities	**(653)**	—
Net assets	**319,767**	—
Income	**164**	—
Expenses	**(8,244)**	—
Loss for the year	**(8,080)**	—

Goodwill represents the excess of the cost of purchase over the fair value of the underlying assets and liabilities. The recoverable amount of interest in Peabody-Winsway is determined based on value-in-use calculation. The calculation uses cash flow projections based on profit forecast approved by management covering a 30-years period and pre-tax discount rate of 21.62%. Management believes any reasonably possible change in the key assumptions on which the entity's recoverable amount is based would not cause the entity's carrying amount to exceed its recoverable amount.

20 OTHER INVESTMENTS IN EQUITY SECURITIES

	The Group	
	2010 **$'000**	2009 $'000
Unlisted, equity securities, at cost	**89,054**	16,354

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21 INVENTORIES

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

	The Group	
	2010	2009
	$'000	$'000
Raw coking coals	**951,015**	553,142
Cleaned coking coals	**558,340**	252,230
Hard coals	**314,461**	323,695
Low value consumables	**1,611**	1,405
Others	**147,130**	59,947
	1,972,557	1,190,419

At 31 December 2010, coking coals of the Group with an aggregate carrying value of $182,707,200 (2009: $303,926,434) were pledged as collateral for the Group's borrowings (Note 25) and banking facilities in respect of issuance of letters of credit by the Group.

At 31 December 2009, coking coals of the Group with an aggregate carrying value of $92,172,276 were pledged as collateral for a third party's borrowings. Such pledge has been released during the year ended 31 December 2010.

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

	The Group	
	2010	2009
	$'000	$'000
Carrying amount of inventories sold	**7,154,115**	4,322,158

22 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Trade receivables	**800,904**	518,984	**—**	—
Bills receivable	**283,670**	82,906	**—**	—
Receivables from import agents	**380,264**	901,129	**—**	144,146
Amounts due from related parties	**1,222**	136,317	**—**	136,010
Amounts due from subsidiary companies	**—**	—	**2,280,751**	295,265
Advance payments to suppliers	**432,561**	144,886	**—**	—
Loan to a third party company	**311,328**	—	**311,328**	—
Deposits and other receivables	**240,932**	56,038	**10,779**	1,129
	2,450,881	1,840,260	**2,602,858**	576,550

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 33(a).

At 31 December 2010, trade and bills receivable of the Group of $575,549,644 (2009: $321,997,689) were pledged as collateral for the Group's borrowings (Note 25).

At 31 December 2010, bills receivable of the Group of $791,301,472 (2009: $Nil) were derecognised from the consolidated statement of financial position as the relevant bills have been discounted to banks on a non-recourse basis.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis

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

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current	1,181,168	1,419,886	—	144,146
More than 3 months past due	—	227	—	—
	1,181,168	1,420,113	—	144,146

(b) Impairment of trade and other receivables

No allowance of impairment loss was recorded in respect of trade and other receivables for the year ended 31 December 2010.

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

23 RESTRICTED BANK DEPOSITS

The Group and the Company pledged bank deposits of maturity more than three months of $344,061,889 and $180,119,777 respectively (2009: $642,535,903 and $Nil respectively) as at 31 December 2010 as collateral for the Group's borrowings (Note 25) and banking facilities in respect of issuance of bills (Note 30) and letters of credit by the Group.

24 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**2,894,421**	277,300	**1,801,298**	28,587

At 31 December 2010, cash and cash equivalents of $325,620,027 (2009: $201,705,999) was held by the entities of the Group in form of RMB in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

Included in cash and cash equivalents in the statement of financial position are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
United States dollars	**1,130**	888	**—**	—
RMB	**2,444,777**	—	**1,703,578**	—

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

25 SECURED BANK AND OTHER LOANS

(a) The secured bank and other loans comprise:

	The Group	
	2010	2009
	$'000	$'000
Short-term loans	**1,010,109**	1,589,466
Long-term loans	**62,577**	—
	1,072,686	1,589,466

The interest rates per annum of bank loans and other loans were:

	The Group	
	2010	2009
Short-term loans	**1.42%–7.23%**	0.90%–6.78%
Long-term loans	**7.46%**	—

(b) The secured bank and other loans were repayable as follows:

	2010	2009
	$'000	$'000
Within 1 year	**1,010,109**	1,589,466
After 2 years but within 5 years	**62,577**	—
	1,072,686	1,589,466

At 31 December 2010, bank and other loans amounting to $435,394,838 (2009: $808,447,990) were secured by bank deposits placed in banks with an aggregate carrying value of $261,616,015 (2009: $642,535,903).

At 31 December 2010, bank and other loans amounting to $219,964,410 (2009: $459,020,419) were secured by coking coals inventories of the Group with an aggregate carrying value of $182,707,200 (2009: $303,926,434).

25 SECURED BANK AND OTHER LOANS (Continued)

(b) The secured bank and other loans were repayable as follows: (Continued)

At 31 December 2010, bank and other loans amounting to $533,567,004 (2009: $321,997,689) were secured by trade and bills receivables with an aggregate carrying value of $575,549,644 (2009: $321,997,689).

At 31 December 2010, bank and other loans amounting to $1,888,175 (2009: $Nil) were secured by motor vehicles with an aggregate carrying value of $3,579,887 (2009: $Nil).

At 31 December 2010, bank and other loans amounting to $23,614,000 (2009: $Nil) were secured by land use right with an aggregate carrying value of $55,245,106 (2009: $Nil).

At 31 December 2009, banking facilities utilised by the Group of $625,730,979 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. Such guarantees have been released during the year ended 31 December 2010.

Further details of the Group's management of liquidity risk are set out in Note 33(b).

26 DEFERRED INCOME

Deferred income represents the unfulfilled conditional government grants received, which will be subsequently recognised as revenue in the income statement to compensate the Group for expenses when incurred, and the unrecognised government grants relating to compensating the Group for the cost of assets.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

27 CONVERTIBLE BONDS

The Company has issued convertible bonds which have been fully converted during the year ended 31 December 2010, details of which are summarised as follows:

	$'000
At 1 January 2010	–
Initial recognition of liability component of convertible bonds	427,686
Interest charged during the year	49,942
Exchange adjustments	54
Interest paid to Bondholders	(6,744)
Conversion	(470,938)
At 31 December 2010	–

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 30 March 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 22 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 First Convertible Bond and the Second Convertible Bond are entitled to conversion into the Company's ordinary shares equivalent to 303,030,304 shares and 50,000,250 shares in form of allotment and issue of ordinary shares by the Company to Coppermine Resources & Silver Grant and ITOCHU respectively. The First Convertible Bond and the Second Convertible Bond (the "Convertible Bonds") can only be converted in whole not in part.

27 CONVERTIBLE BONDS (Continued)

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.

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 Sallmanns using discounted cash flows method. The 25% internal rate of return per annum has been incorporated into 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.

Upon the conversion of the Convertible Bonds into the Company's ordinary shares on 24 September 2010, the other reserve, amounting to $18,216,000, together with the carrying amount of the liability for the convertible bonds at the time of conversion, amounting to $470,938,000, were transferred to share capital as consideration for the ordinary shares issued.

28 REDEEMABLE CONVERTIBLE PREFERRED SHARES

The Company has issued redeemable convertible preferred shares which have been fully converted during the year ended 31 December 2010, details of which are summarised as follows:

	$'000
At 1 January 2010	–
Initial recognition of liability component of redeemable convertible preferred shares	425,306
Interest charged during the year	50,683
Exchange adjustments	52
Interest paid to holder of RCPS	(6,975)
Conversion	(469,066)
At 31 December 2010	–

On 30 March 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").

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

28 REDEEMABLE CONVERTIBLE PREFERRED SHARES (Continued)

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. Dividends on redeemable convertible preferred shares are included in interest expense (Note 6(a)).

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 30 March 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 matter, 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 holder 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.

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 Sallmanns using discounted cash flows method. The 25% internal rate of return per annum has been incorporated into 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.

Upon the conversion of the RCPS into the Company's ordinary shares on 24 September 2010, the other reserve, amounting to $16,794,000, together with the carrying amount of the liability for the RCPS at the time of conversion, amounting to $469,066,000, were transferred to share capital as consideration for the ordinary shares issued.

(Expressed in Hong Kong dollars unless otherwise indicated)

29 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 $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 for the year ended 31 December 2010 are 52,093,000 and 55,852,000 respectively, whereby all options are settled by physical delivery of shares.

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

	Year ended 31 December 2010	
	Weighted average exercise price	Number of options
Outstanding at 1 January	–	–
Granted during the year	$1.677	107,945,000
Outstanding at 31 December	$1.677	107,945,000
Exercisable at 31 December	–	–

The options outstanding at 31 December 2010 had an exercise price of $ 1.677 per share and a weighted average remaining contractual life of 4.5 years.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of the share options is valued by the directors with reference to a valuation report issued by Sallmanns. The estimate of the fair value of the share options granted is measured based on a Binominal Tree option pricing model. The contractual life of the share option is used as an input into this model.

	2010
Fair value at measurement date	$1.421~$1.492
Share price	$2.97
Exercise price	$1.677
Expected volatility	63.15%
Option life (expressed as weighted average life used in modeling under Binominal Tree option pricing model)	5 years
Expected dividends	5.00%
Risk-free interest rate	1.54%

The expected volatility is based on the historic volatility of entities in the same industry (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on management estimate. The risk-free interest rate is based on the yield of 5-year Hong Kong Exchange Fund Notes. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There was no market condition associated with the share option grants.

Equity settled share-based payment expense amounting to $71,159,307 during year ended 31 December 2010 (2009: Nil) was recognised in profit or loss.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

30 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Trade and bills payables	**748,313**	549,445	**—**	149,154
Payables to import agents	**362,258**	966,269	**—**	—
Amounts due to subsidiary companies	**—**	—	**—**	294,492
Advances from customers	**33,167**	59,698	**—**	—
Payables in connection with construction projects	**12,770**	22,440	**—**	—
Payables for purchase of equipment	**12,817**	40,099	**—**	—
Others	**148,043**	91,077	**63,802**	16,387
	1,317,368	1,729,028	**63,802**	460,033

At 31 December 2010, bills payable amounting to $222,423,806 was secured by bank deposits placed in a bank with an aggregate carrying value of $42,453,721.

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:

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Due within 1 month or on demand	**888,147**	1,229,474	**—**	149,154
Due after 1 month but within 3 months	**—**	286,240	**—**	—
Due after 3 months but within 6 months	**222,424**	—	**—**	—
	1,110,571	1,515,714	**—**	149,154

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

31 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2010	2009
	$'000	$'000
At 1 January	**35,709**	10,739
Provision for the year (Note 7(a))	**263,971**	62,475
Income tax paid	**(211,275)**	(39,320)
Disposal of discontinued operations	**—**	1,778
Exchange adjustments	**2,303**	37
At 31 December	**90,708**	35,709

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	The Group			
	Property, plant and equipment $'000	**Government grants $'000**	**Unrealised profits on intra-group transactions $'000**	**Total $'000**
Deferred tax arising from:				
At 1 January 2009	(2,148)	19,559	22,607	40,018
Credited/(charged) to income statement	52	(80)	(7,812)	(7,840)
Disposal of discontinued operations (Note 37)	2,099	—	—	2,099
Exchange adjustments	(3)	30	30	57
At 31 December 2009	—	19,509	14,825	34,334
At 1 January 2010	—	19,509	14,825	34,334
Credited/(charged) to income statement	—	(124)	12,705	12,581
Exchange adjustments	—	414	933	1,347
At 31 December 2010	**—**	**19,799**	**28,463**	**48,262**

31 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in Note 2(s), the Group did not recognise deferred tax assets in respect of cumulative tax losses of $47,844,877 (2009: $938,838) at 31 December 2010 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.

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 $83,067,914 (2009: $16,884,577) as at 31 December 2010.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital $'000	Other Reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January 2009		383,522	—	(2,265)	(4,245)	377,012
Changes in equity for 2009:						
Total comprehensive income for the year		—	—	2,503	178,009	180,512
Balance at 31 December 2009 and 1 January 2010		383,522	—	238	173,764	557,524
Changes in equity for 2010:						
Capital injection		78,003	—	—	—	78,003
Equity component of convertible bonds		—	18,216	—	—	18,216
Equity component of redeemable convertible preferred shares		—	16,794	—	—	16,794
Dividends declared and paid to the equity shareholder of the Company	32(b)	—	—	—	(243,703)	(243,703)
Dividends declared and paid to the holder of redeemable convertible preferred shares	32(b)	—	—	—	(43,302)	(43,302)
Interests declared and paid to the holders of convertible bonds	32(b)	—	—	—	(42,039)	(42,039)
Conversion of convertible bonds		489,154	(18,216)	—	—	470,938
Conversion of redeemable convertible preferred shares		485,860	(16,794)	—	—	469,066
Share issued for purchase of interest in the jointly-controlled entity		77,594	—	—	—	77,594
Issue of new share, net of issuing expenses		3,500,206	—	—	—	3,500,206
Equity settled share-based transactions		—	71,159	—	—	71,159
Total comprehensive income for the year		—	—	(3,143)	16,195	13,052
Balance at 31 December 2010		**5,014,339**	**71,159**	**(2,905)**	**(139,085)**	**4,943,508**

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2010 $'000	2009 $'000
Interim dividend declared on 16 September 2010 and paid of 12 cents per ordinary share (2009: Nil)	243,703	—
Final dividends proposed after the end of the reporting period of 6.1 cents per ordinary share (2009: Nil)	231,084	—

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends on the RCPS and interest on Convertible Bonds

Dividends of RMB43,901,331 (equivalent to HK$50,277,109) (2009: Nil) on the RCPS and interest of RMB42,614,571 (equivalent to HK$48,783,131) (2009: Nil) on the Convertible Bonds were declared on 16 September 2010, out of these amounts, HK$13,718,852 (2009: Nil) has been charged to the profit or loss as part of finance costs in relation to the liability portion.

(c) Share capital

	2010 No. of shares '000	2009 No. of shares '000
Authorised:		
Ordinary shares	4,000,000	2,000,000
Preferred shares	500,000	—

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital (Continued)

	2010 No. of shares '000	2010 $'000	2009 No. of shares '000	2009 $'000
Ordinary shares, issued and fully paid:				
At 1 January	**2,000,000**	**383,522**	2,000,000	383,522
Shares issued before public offering	**60,606**	**78,003**	—	—
Conversion of convertible bond	**353,031**	**489,154**	—	—
Conversion of redeemable convertible preferred shares	**363,636**	**485,860**	—	—
Conversion of payable in connection with acquisition of the jointly controlled entity	**20,988**	**77,594**	—	—
Shares issued under public offering	**990,000**	**3,500,206**	—	—
At 31 December	**3,788,261**	**5,014,339**	2,000,000	383,522

As at 1 January 2009, the Company had authorised and issued shares of 2,000,000,000 shares. On 18 April 2010, the Company increased its authorised share capital from 2,000,000,000 to 4,000,000,000 ordinary shares and approved the creation of 500,000,000 preferred shares. 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 18 May 2010, the Company issued 60,606,060 additional shares at an aggregate consideration of US$10,000,000.

On 24 September 2010, the following share transactions were completed:

- The Company's convertible bonds were converted into the Company's ordinary shares (see Note 27);
- The Company's redeemable convertible preferred shares were converted into the Company's ordinary shares (see Note 28);
- The Company's payable in connection with acquisition of a jointly controlled entity was settled in form of the Company's ordinary shares (see Note 19); and
- The Company issued 990,000,000 ordinary shares at a price of $3.7 per share by way of public offering of the Company's ordinary shares to Hong Kong and overseas investors. The Company raised approximately $3,500,206,000 in total net of share issuing expenses.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Other reserve

The other reserve comprises the following:

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

- the gain on partial disposal of interest in a subsidiary; and

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

(ii) Statutory reserve

Pursuant to the Articles of Association of the companies comprising the Group in the PRC, appropriations to the statutory reserve were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the respective companies comprising the Group. During the years ended 31 December 2010, amounts in retained earnings of $85,456,059 (2009: $15,458,829) 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.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which are dealt with in accordance with the accounting policies as set out in Note 2(v).

(iv) Distributability of reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $4,943,508,000 (2009: $557,524,109). After the end of the reporting period the directors proposed a final dividend of 6.1 cents per ordinary share, amounting to $231,084,000 (Note 32(b)). This dividend has not been recognised as a liability at the end of the reporting period.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost, and to maintain an optimal capital structure to reduce cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-equity ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, less unaccrued proposed dividends.

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain an adjusted net debt-to-capital ratio at the range of 0% to 58.5%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and foreign currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and over-the-counter derivative financial instruments entered into for hedging purposes. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Debtors with balances that are more than 90 days past due are normally requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 1% (2009: 5%) and 16% (2009: 11%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively within the processing and trading of coking coals segment.

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 statement of financial position after deducting any impairment allowance. Except for the financial guarantees, given by the Group as set out in Note 36, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 36.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 22.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk

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

The following table shows the remaining contractual maturities at the end the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2010 Contractual undiscounted cash outflow					2009 Contractual undiscounted cash outflow		
	Within 1 Year or on demand $'000	More than 1 Year but less than 2 years $'000	More than 2 Years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000	Within 1 Year or on demand $'000	Total $'000	Carrying amount at 31 December $'000
Secured bank and other loans	1,020,920	–	80,300	1,101,220	1,072,686	1,600,324	1,600,324	1,589,466
Trade and other payables (excluding advance from customers)	1,284,201	–	–	1,284,201	1,284,201	1,669,330	1,669,330	1,669,330
	2,305,121	–	80,300	2,385,421	2,356,887	3,269,654	3,269,654	3,258,796
Financial guarantees issued: Maximum amount guaranteed (Note 36)	–	–	–	–	–	1,367,991	1,367,991	–

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The Company

	2010 Contractual undiscounted cash outflow			2009 Contractual undiscounted cash outflow		
	Within 1 Year or on demand $'000	Total $'000	Carrying amount at 31 December $'000	Within 1 Year or on demand $'000	Total $'000	Carrying amount at 31 December $'000
Trade and other payables (excluding advance from customers)	63,802	63,802	63,802	460,033	460,033	460,033
	63,802	63,802	63,802	460,033	460,033	460,033
Financial guarantees issued: Maximum amount guaranteed (Note 36)	–	–	–	332,160,160	332,160,160	–

(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 currencies giving rise to this risk are primarily United States dollars and Renminbi. The Group manages this risk as follows:

(i) Recognised assets and liabilities

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Currency risk (Continued)

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currency (expressed in HK$)		
	2010		2009
	United states dollars $'000	**RMB $'000**	United states dollars $'000
Cash and cash equivalents	**1,130**	**2,444,777**	888
Trade receivables	**7,700**	**—**	—
Trade payables	**(126,067)**	**—**	(335,107)
Bills payable	**(109,175)**	**—**	—
Bank loans	**(177,249)**	**—**	(534,900)
Net exposure arising from recognised assets and liabilities	**(403,661)**	**2,444,777**	(869,119)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Currency risk (Continued)

(ii) Exposure to currency risk (Continued)

The Company

	Exposure to foreign currency (expressed in HK$)	
	2010	2009
	RMB	RMB
	$'000	$'000
Cash and cash equivalents	**1,703,578**	—
Net exposure arising from recognised assets and liabilities	**1,703,578**	—

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise if foreign exchange rate to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Currency risk (Continued)

(iii) Sensitivity analysis (Continued)

The Group

	2010		2009	
	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained earnings $'000	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained earnings $'000
United States dollars	5%	(15,137)	5%	(32,592)
	(5)%	15,137	(5)%	32,592
RMB	5%	119,708	5%	—
	(5)%	(119,708)	(5)%	—

The Company

	2010		2009	
	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained earnings $'000	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained earnings $'000
RMB	5%	85,179	5%	—
	(5)%	(85,179)	(5)%	—

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 Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Currency risk (Continued)

(iii) Sensitivity analysis (Continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including intercompany payables and receivables within the Group which are denominated in a currency other 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. The analysis is performed on the same basis for 2009.

(d) Fair values

In respect of cash and cash equivalents, pledged bank deposits, 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.

In respect of bank and other loans and the liability component in respect of the convertible bonds and the redeemable convertible preferred shares, the carrying amounts are not materially different from their fair values as at 31 December 2010. The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The fair value of the convertible bonds and the redeemable convertible preferred shares are measured using discounted cash flows method in which all significant inputs are directly or indirectly based on observable market data.

34 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the year.

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 8, and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2010 $'000	2009 $'000
Short-term employee benefits	33,797	3,975
Equity compensation benefits	62,280	—

The remuneration is included in "staff costs" (see Note 6(b)).

(b) Material related party transactions

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

	2010 $'000	2009 $'000
Sale of coking coals to related parties	—	393,047
Sales of construction equipment to related parties	4,430	—
Purchase of agency service from related party	1,465	11,397
Rental expense for lease of properties from related parties	2,160	—
Net repayments of advances from related parties	—	15,920
Net repayments of advances to related parties	—	30,596
Consideration for sale of discontinued operations to related parties	—	43,102

The directors of the Group is of the opinion that the above related party transactions were conducted on normal commercial terms and in accordance with the agreements governing such transactions.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Related party balances

The outstanding balances arising from above transactions at consolidated statement of financial position are as follows:

	2010 $'000	2009 $'000
Amounts due from related parties	1,222	136,317

35 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2010 not provided for in the financial statements were as follows:

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Contracted for	540,757	68,153	—	—
Authorised but not contracted for	2,252,743	607,906	—	—
	2,793,500	676,059	—	—

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

(b) At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Within 1 year	18,548	2,275	8,118	—
After 1 year but within 5 years	24,009	—	12,854	—
	42,557	2,275	20,972	—

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

36 CONTINGENT LIABILITIES-FINANCIAL GUARANTEES ISSUED

At 31 December 2009, the Group 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 2009 under these guarantees issued was the outstanding amount of the bank loans and the banking facilities in respect of issuance of letters of credit of $1,174,354,394. Such guarantees have been released during the year ended 31 December 2010.

At 31 December 2009, the Group issued guarantees to banks in respect of banking facilities granted to third parties. The maximum liability of the Group as at 31 December 2009 under these guarantees issued was the outstanding amount of the bank loans and the banking facilities in respect of issuance of letters of credit of $193,636,850. Such guarantees have been released during the year ended 31 December 2010.

37 DISCONTINUED OPERATIONS

During the year ended 31 December 2009, the Group disposed of the following subsidiaries, each of which represented a separate major line of business or geographical area of operations, or was part of a single co-ordinated plan to dispose of a separate major line of business in geographical area of operations. Management sold each of these subsidiaries in the same year of respective disposals. The results of these subsidiaries were presented on the consolidated income statements as discontinued operations. Further details of these disposals are set out below:

- 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.

37 DISCONTINUED OPERATIONS (Continued)

Results attributable to discontinued operations for the years ended 31 December 2009 and 2010 are as follows:

	2010 $'000	2009 $'000
Results of discontinued operations		
Revenue	–	—
Expenses	–	(9,298)
Results from operating activities	–	(9,298)
Income tax (Note 7(a))	–	52
Results from operating activities, net of income tax	–	(9,246)
Gain on disposal of discontinued operations, net of income tax	–	33,550
Profit for the year from discontinued operations	–	24,304
Attributable to:		
Equity shareholders of the Company	–	24,304
Non-controlling interests	–	—
	–	24,304
Cash flows used in discontinued operations		
Net cash from operating activities	–	225,010
Net cash from investing activities	–	99,576
Net cash used in financing activities	–	(326,058)
	–	(1,472)

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

37 DISCONTINUED OPERATIONS (Continued)

Effect of disposal on the assets and liabilities of the Group:

	2010 $'000	2009 $'000
Property, plant and equipment (Note 14)	–	18,796
Inventories	–	88,819
Trade and other receivables and receivables under finance lease	–	279,131
Cash and cash equivalents	–	7,925
Restricted deposits	–	230,025
Trade and other payables and income tax payable	–	(295,040)
Deferred tax liabilities (Note 31(b))	–	(2,099)
Bank loans	–	(293,352)
	–	34,205
Non-controlling interests	–	—
Net assets disposed of	–	34,205
Total consideration	–	67,755
Gain on disposal of discontinued operations	–	33,550
Consideration received, satisfied in cash	–	67,755
Cash disposed of	–	(7,925)
	–	59,830
Collection of receivables for disposal discontinued operations	–	28,058
Net of cash inflow from disposal of discontinued operations	–	87,888

38 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing these financial statements. The principal accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these financial statements.

(i) Depreciation

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

(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 judgement 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

38 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(iii) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(iv) Impairment of interest in a jointly controlled entity

In determining whether an interest in the jointly controlled entity is impaired or the event previously causing impairment no longer exists, the Group has to exercise judgement in the area of impairment of assets relevant to the jointly controlled entity (the "Relevant Assets") and others, particularly in assessing: (1) whether an event has occurred that may affect the value of Relevant Assets or such event affecting the value of Relevant Assets have not been in existence; (2) whether the carrying value of Relevant Assets can be supported by the net present value of future cash flows which are estimated based upon the continued use of the Relevant Assets or derecognising; (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate; and (4) dividend policy of the jointly controlled entity.

39 ULTIMATE CONTROLLING PARTY

At 31 December 2010, the directors consider the ultimate controlling party of the Group to be Winsway Resources Holding Limited, which is incorporated in British Virgin Islands. This entity does not produce financial statements available for public use.

40 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 32(b).

41 COMPARATIVE FIGURES

As a result of the change in presentation currency for the preparation of the financial statements, the comparative information has also been restated to reflect the change in presentation currency to HK$ accordingly.

(Expressed in Hong Kong dollars unless otherwise indicated)

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to IAS 32, Financial instruments: Presentation — Classification of right issues	1 February 2010
IFRIC 19, Extinguishing financial liabilities with equity instruments	1 July 2010
Amendment to IFRS 1, First-time adoption of International Financial Reporting Standards — Limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2010
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
Revised IAS 24, Related party disclosures	1 January 2011
Amendments to IFRIC 14, IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement	1 January 2011
Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards — Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
Amendments to IFRS 7, Financial instruments: Disclosures — Transfers of Financial assets	1 July 2011
Amendments to IAS 12, Income taxes — Deferred tax: Recovery of underlying assets	1 January 2012
IFRS 9, Financial Instruments	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Definitions

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

"AGM"	the Shareholders' annual general meeting to be held on 13 May 2011
"AME Report"	a report provided by AME Mineral Economics (Hong Kong) Limited, an industry consultant in the mining sector, for use in whole or in part in the Prospectus
"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
"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
"Beijing Winsway"	北京永暉投資管理有限公司 (Beijing Winsway Investment Management Co., Ltd.*), a Sino-foreign joint venture company established under the laws of the PRC with limited liability on 6 November 1995, our indirectly wholly-owned subsidiary and now a wholly foreign-owned enterprise
"Board" or "Board of Directors"	our board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region and Hong Kong
"Company", "our Company", "we" or "us"	Winsway Coking Coal Holdings Limited (永暉焦煤股份有限公司), a company incorporated under the laws of the BVI with limited liability on 17 September 2007 and, except where the context indicates otherwise, including its subsidiaries
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, unless the context otherwise requires, refers to Mr. Wang, Winsway Group Holdings and Winsway Resources Holdings

Definitions

"Convertible Bonds"	collectively (i) the convertible bonds in the principal aggregate amount of US$50,000,000 issued by our Company to Coppermine and Silver Grant on 20 April 2010, which have been fully converted on 24 September 2010 and (ii) the convertible bonds in the principal amount of US$10,000,000 issued by our Company to ITOCHU on 30 April 2010, which have been fully converted on 24 September 2010
"Coppermine"	Coppermine Resources Limited, a company incorporated under the laws of the BVI on 12 January 2001 with its registered address at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI
"Director(s)"	the director(s) of our Company
"East Wuzhumuqin Qi Haotong"	東烏珠穆沁旗浩通能源有限公司 (East Wuzhumuqin Qi Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 29 July 2008 and our indirectly wholly-owned subsidiary
"Ejinaqi Haotong"	額濟納旗浩通能源有限公司 (Ejina Qi Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 19 May 2008 and our indirectly wholly-owned subsidiary
"Erlianhaote Haotong"	二連浩特浩通能源有限公司 (Erlianhaote Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 18 January 2007 and our indirect non wholly-owned subsidiary
"Goldliq"	Goldliq B.V.B.A., a company incorporated under the laws of Belgium with limited liability on 29 January 1991, in which Mr. Wang held 100% equity interest during the period from 6 November 1995 till 13 May 2005
"Group", "our Group" or "Winsway"	our Company and its subsidiaries
"Hohhot Railway Bureau"	呼和浩特鐵路局 (the Hohhot Railway Bureau*), a regional railway bureau under the jurisdiction of the Ministry of Railway of the PRC
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)(as amended from time to time)
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong

Definitions

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HOPU"	HOPU USD Master Fund I L.P.
"IFRS"	International Financial Reporting Standards, which comprise standards and interpretations approved by International Accounting Standards Board (the "IASB") and the International Accounting Standards ("IAS") and Standing interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect
"Inner Mongolia Haotong"	內蒙古浩通能源股份有限公司 (Inner Mongolia Haotong Energy Joint Stock Co., Ltd.*), a joint stock company established under the laws of the PRC on 18 November 2005 and our indirectly wholly-owned subsidiary
"IPO"	the initial public offering and listing of Shares of the Company on the Main Board on 11 October 2010
"ITOCHU"	ITOCHU Corporation, a company with its principal place of business at 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo 107-8077, Japan
"Listing"	the listing of our Shares on the Main Board
"Listing Date"	11 October 2010
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Manzhouli Haitie Yonghui"	滿州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*)
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company as amended from time to time

Definitions

"Mode Code"	Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 of the Listing Rules
"Mr. Wang"	王興春先生 (Wang Xingchun), our chairman, Chief Executive Officer and the ultimate Controlling Shareholder of our Company
"mt"	million tonnes
"mtpa"	million tonnes per annum
"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
"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
"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
"Preferred Shares"	the 363,636,364 redeemable convertible preference shares in the amount of US$60,000,000 issued by our Company to Winstar, a wholly-owned subsidiary of HOPU, which have been fully converted on 24 September 2010
"Pre-IPO Option Scheme"	the pre-IPO option scheme adopted by us for a period of five years commencing from 30 June 2010, a summary of the principal terms of which is set forth in the section headed "Pre-IPO Option Scheme" in Appendix VII to the Prospectus
"Prospectus"	the prospectus of the Company dated 27 September 2010 issued in connection with the IPO
"Review Period"	the period from the Listing Date and up to 22 March 2011

Definitions

"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)(as amended from time to time)
"Share(s)"	ordinary share(s) with no par value of our Company
"Shareholders"	holders of the Shares
"Silver Grant"	Silver Grant International Industries Ltd., a company with its principal place of business at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong and listed on the Hong Kong Stock Exchange (Stock code:171)
"subsidiary(ies)"	has the meaning ascribed to it in section 2 of the Hong Kong Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$", "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"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 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 Macao"	Winsway (Group) Enterprises Limited (永暉集團有限公司), a company incorporated under the laws of Macao with limited liability on 12 June 1995 and wholly-owned by Mr. Wang
"Winsway Petroleum Holdings"	Winsway Petroleum Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 9 September 2009 and indirectly wholly-owned by Mr. Wang
"Winsway Resources Holdings"	Winsway Resources Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 31 December 2009 and indirectly wholly-owned by Mr. Wang
"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
"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

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

Four-Year Financial Summary

(Expressed in Hong Kong dollars)

	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Continuing operations				
Turnover	**9,271,665**	5,283,216	1,113,858	203,826
Profit before taxation	**1,180,153**	561,318	298,408	22,841
Income tax	**(251,390)**	(70,367)	11,927	154
Profit from continuing operations	**928,763**	490,951	310,335	22,995
Discontinued operations				
Loss from discontinued operations (net of income tax)	**—**	(9,246)	(37,296)	(11,554)
Gain on sale of discontinued operations (net of income tax)	**—**	33,550	141	4,614
Profit for the year	**928,763**	515,255	273,180	16,055
Attributable to:				
Equity shareholders of the Company	**928,826**	515,255	274,228	18,276
Non-controlling interests	**(63)**	—	(1,048)	(2,221)
Profit for the year	**928,763**	515,255	273,180	16,055
Total assets	**9,123,020**	4,498,312	1,598,082	694,749
Total liabilities	**(2,578,151)**	(3,354,203)	(991,638)	(365,048)
Non-controlling interests	**(76,041)**	—	—	(792)
	6,468,828	1,144,109	606,444	328,909

Company Information

Board Members

Chairman of the Board

Wang Xingchun

Executive Directors

Zhu Hongchan
Yasuhisa Yamamoto
Apolonius Struijk
Cui Yong

Non-executive Directors

Cui Guiyong
Liu Qingchun
Lu Chuan

Independent Non-executive Directors

James Downing
Ng Yuk Keung
Wang Wenfu
George Jay Hambro

Audit Committee

Chairman

Ng Yuk Keung

Member

George Jay Hambro
Wang Wenfu
James Downing
Cui Guiyong

Remuneration Committee

Chairman

Apolonius Struijk

Member

James Downing
Wang Wenfu

Nomination and Corporate Governance Committee

Chairman

Yasuhisa Yamamoto

Member

James Downing
Ng Yuk Keung

Health and Safety and Environmental Committee

Chairman

George Jay Hambro

Member

Yasuhisa Yamamoto
Apolonius Struijk

Secretary to the Board

Cao Xinyi

Company Information

Chief Financial Officer

Xie Wenzhao

Legal Counsel

Reed Smith Richards Butler

Auditors and Reporting Accountants

KPMG
Certified Public Accountants

Registered Office in the BVI

Akara Bldg.
24 De Castro Street
Wickhams Cay 1
Road Town, Tortola
BVI

Principal Place of Business and Head Office in the PRC

No. 10 Hongdazhonglu
Business Development Area
Beijing, 100176
PRC

Place of Business in Hong Kong Registered under Part XI of the Hong Kong Companies Ordinance

Suite 4602A, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Room 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Banks

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

Website

www.winsway.com

HKEx Stock Code

1733