

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



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)

ANNOUNCEMENT HOLDING COMPANY ACQUIRING PREMIUM HARD COKING COAL ASSETS IN RUSSIA

The board of directors of the Company announces that the Company has received notice of a business opportunity from its holding company, Winsway Group, to invest in an upstream premium hard coking coal project in Russia. After fully considering the opportunity, the Company has decided not to take up this investment opportunity and Winsway Group acquired the assets in accordance with the Non-competition Deed and Winsway Group has entered into a sales and purchase agreement in relation to the assets acquisition. Winsway Group granted the Company a future right of first refusal to reconsider the project within a period of 12 months. Winsway Group secured exclusive rights to provide logistics and brokerage services for the coal produced by the Project for the Company.

This announcement is made by Winsway Coking Coal Holdings Limited (the “**Company**”) pursuant to the Non-competition Deed (as defined below).

BACKGROUND

The Company was notified by Winsway Group Holdings Limited (“**Winsway Group**”), a company 100% owned by Mr. Wang Xingchun and one of the holding companies of the Company, on 1 December 2010 that Divalane Holdings Limited (“**Divalane**”), an independent third party domiciled in Cyprus, has offered to Winsway Group the opportunity to invest in Divalane.

Divalane currently holds 100% of the issued share capital of LLC Arktieheskie Razrabotki (“**LLC AR**”), an independent third party domiciled in Russia holding a subsoil use license for the geological study, exploration and production of coal and coal bed methane from the Apsatskoe coal deposit in Northern Chita, Russia (“**Project**”). Winsway Group has been offered 60% of the issued voting shares in Divalane for US\$90 million (“**Transaction**”). On 29 April 2011, a sales and purchase agreement was entered into between Winsway Group and the controlling shareholder of Divalane.

The Project. Divalane and its ultimate controlling shareholder which is a major private Russian energy company purchased the exploration right to the Project in April 2008 through an auction administered by the Chita Territorial Agency on Subsurface Use.

The Project is located in Northern Chita region of Russia, approximately 30 km from the BAM railway (Baikal Amur Mainline) and within 1,000 km from Manzhouli, where the Trans-Siberian Railway connects Russia and China. Based on the technical report provided by SRK Consulting in July 2010 (“**SRK Report**”), the Project’s measured and indicated coal resources are estimated to be approximately 675 million tons, the majority of which is suitable for coking purposes with low to medium volatility content. Approximately 50 million tons of resources are believed to be minable by open cut methods, while the remainder would be mined through underground operations. Part of the resources have been granted with mining permission. Based on the SRK report, potential destination markets for the coal include Russia, China, Japan, Korea and other markets.

Non-competition Deed. In accordance with the Non-competition Deed (the “**Non-competition Deed**”) entered into, among others, between the Company and Winsway Group on 22 September 2010, any new business opportunity that is presented to any of the controlling shareholders of the Company (which is defined in the Non-competition Deed to include any investment opportunity in a business that might compete with the business of the Company) should first be offered to the Company. The Non-competition Deed states that the Company has 25 business days to consider any new business opportunity and accordingly to a notice from Winsway Group to the Company dated 5 January 2011, such period was extended to 120 business days. The Company formed a committee of the independent non-executive directors of the Company to decide whether or not to pursue such opportunity. An independent committee of the board of directors of the Company (“**Independent Board Committee**”) comprising Mr. James Downing, Mr. Ng Yuk Keung, Mr. Wang Wenfu and Mr. George Jay Hambro, all of whom are independent non-executive directors of the Company and do not and are not deemed to have a material interest in the business opportunity to acquire an interest in the Project, was formed to decide whether the Company would exercise its right of first refusal over the business opportunity.

REASON FOR THE COMPANY NOT INVESTING IN THE PROJECT

After considering the business opportunity to invest in the Project, especially taking into account of the SRK Report and the strategic priorities of the Company, the Independent Board Committee resolved that the Company should not exercise its right of first refusal to invest in the Project. Some of the main reasons the Independent Board Committee recommended are as follows:

- 1) Exploration standards not fully compliant with JORC Code standard. The Independent Board Committee noted that under Chapter 18 of the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), a mineral company must disclose information on mineral resources, reserves and/or exploration results under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition) (“**JORC Code**”), NI 43-101, the SAMEC Code, or other codes acceptable to The Stock Exchange of Hong Kong Limited. Even though the Project was first discovered in the 1940s and has undergone exploration programs in the past, the exploration reporting standards are only partially compliant with the standards contained in the JORC Code. Hence, SRK Consulting has recommended in the SRK Report that a JORC-compliant infill drilling program be conducted in order to achieve the conversion into JORC compliant resources.

- 2) Green field nature. The Project is a green field project with possible great potential. The Project has not undergone a proper feasibility study and a detailed conceptual mining plan commissioned by a globally recognized technical consulting company.
- 3) Significant regulatory approvals required. Given the green field nature of the Project, there is a significant number of regulatory approvals regarding mining and environments aspects required in Russia, notwithstanding mining permission having being obtained for the production of approximately 3.5 million tonnes of coal.

WINSWAY GROUP'S COMMITMENT

Winsway Group has made the following commitment to the Company:

- 1) Winsway Group granted the Company right of first refusal to inject its holdings in the Project into the Company through an arm's-length transaction within a period of 12 months after the rejection of the Company to pursue the New Business Opportunity, during which a JORC-standard resource report, a detailed mining plan and feasibility study commissioned by a globally recognized technical consulting company will have been completed. However, in the event that the Company's Board of Directors including the Company's independent non-executive directors resolve not to exercise the right of first refusal to the Project, Winsway Group will have the right to pursue other courses of action, including a potential listing of the Project.
- 2) Winsway Group negotiated an exclusive sales agreement for the Chinese market with LLC AR. Winsway Group will enter into exclusive brokerage and logistics services agreement with the Company through arm's-length negotiation for the border crossing, transportation and other logistics services of the coking coal purchased by Winsway Group under the agreement with LLC AR. A connected transaction (as defined in the Listing Rules) resulting from such agreement will be subject to the reporting, disclosure and shareholders approval requirements, if applicable, under the Listing Rules.

Following the recommendation of the Independent Board Committee, the board of directors of the Company has decided not to invest in the Project. Winsway Group acquired the Project in accordance with the Non-competition Deed and the terms set out in this announcement. The closing of the Transaction is, however, subject to Russian anti-monopoly authorities' approval.

By Order of the Board of Directors
Winsway Coking Coal Holdings Limited
Cao Xinyi
Company Secretary

Hong Kong, 3 May 2011

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