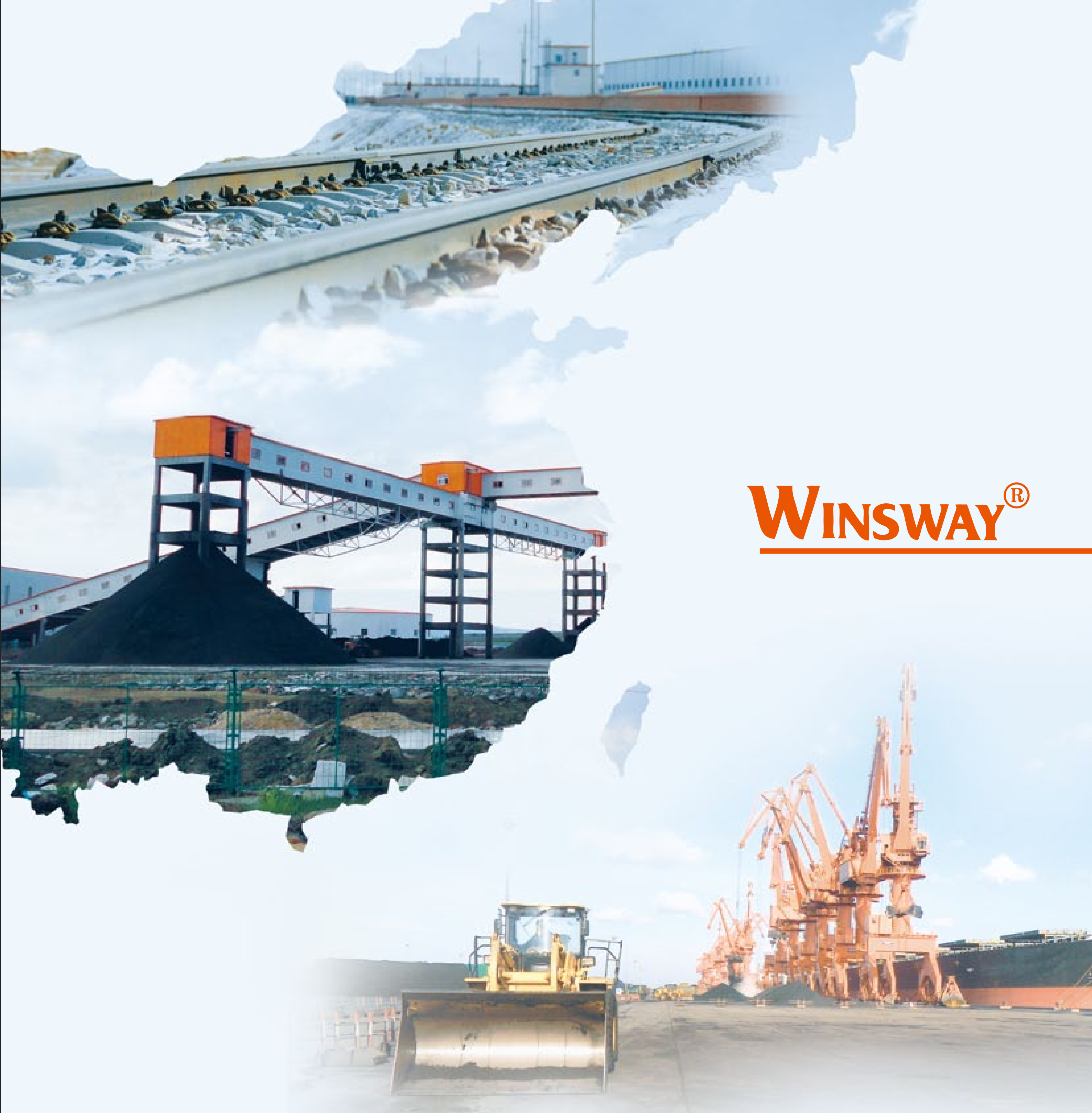


WINSWAY®

2011 Annual Report

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

SEM
650B
18-16

Contents

WINSWAY COKING COAL HOLDINGS LIMITED
ANNUAL REPORT 2011

Major Events in 2011

January 2011	Winsway and a subsidiary of Hohhot Railway Bureau established a joint venture, Inner Mongolia Huayuan Logistic Company Limited, to secure additional railway transportation capacity for the Group
April 2011	Winsway successfully issued US$500,000,000 Senior Notes due 2016
May 2011	The private railway line for Jining Qisumu Logistic Center of Winsway was connected to the public railway network
May 2011	Ceke Logistics Centre of Winsway commenced trial operation
July 2011	The construction of the coal processing plants at Jining, Yingkou Bayuquan port and Longkou port was completed; each of these three processing plants has an annual coal processing capacity of 4 million tonnes
July 2011	Erlianhaote Logistics Centre of Winsway was completed and commenced operation
October 2011	Winsway entered into a memorandum of understanding with Peabody Energy in respect of a proposed joint venture to market coal in China and the Asia Pacific region
October 2011	Winsway entered into a ten-year strategic alliance agreement with Mongolyn Alt (MAK) LLC, pursuant to which Mongolyn Alt (MAK) LLC will supply coal of no less than 3 million tonnes per annum to Winsway
November 2011	Winsway and Marubeni established a joint venture to acquire Grande Cache Coal Corporation
December 2011	Peabody Energy acquired a 5.1 percent equity interest in Winsway through a series of purchases of Winsway's Shares on the Hong Kong Stock Exchange

Chairman and CEO's Statement

Dear Shareholders and Employees,

2011 has been a busy and rewarding year for Winsway Coking Coal Holdings Limited. Despite a delicate global economical environment, our day-to-day operations remained resilient with healthy growth in our core businesses. We successfully issued Senior Notes in the capital markets in order to secure adequate capital for our long-term development. To complement our future growth strategy and to secure stable supply of premium hard coking coal, we announced an important acquisition of a Canadian company, Grande Cache Coal Corporation in partnership with Marubeni Corporation of Japan. I would like to extend my gratitude to all our shareholders for their continuous support and thank all of our employees for their contributions to the Company throughout the year.

In 2011, we continued the construction of key infrastructure in strategic locations to develop our core coal transportation business, which included the completion of the two Sino-Mongolian border-crossing facilities at Ceke and Gants Mod, and the inland railway logistics park at Jining Qisumu. We significantly strengthened our transshipment and storage capacity, enhancing the overall logistical efficiency. We have also completed the construction of processing plants in the eastern coastal region of China, located in Yingkou and Longkou ports, as well as a new coal processing plant located in Jining. The combined coal processing capacity of these projects is 12 million tonnes per year. In addition, in order to further secure our railway transportation capacity, we have invested in a joint venture with the Ministry of Railways and other companies, which acquired 3,300 railway wagons in 2011. We further expanded our customer base from major domestic steel manufacturers to those in South Korea, Japan and Taiwan region. We continued to strengthen our cooperation with Peabody Energy by signing a memorandum of understanding to establish a joint venture for sales of thermal coal in China and the Asia-Pacific region. Peabody Energy also became a substantial shareholder of Winsway holding approximately 5.1% of the Company's outstanding shares. In January 2012, a representative from Peabody Energy joined Winsway's board of directors.

In April 2011, we issued US$500 million of Senior Notes with a coupon rate of 8.5% per annum. The Senior Notes will be due in 2016 and are currently listed on the Singapore Exchange. Proceeds from the Senior Notes issuance have provided or are expected to provide sufficient funding for the acquisition of railway wagons and other transportation vehicles as well as the investment in railway infrastructure and upstream resources. As communicated to investors during the Listing of Winsway and the issuance of the Senior Notes, the Group has adopted a strategy of expanding into the upstream market for its long-term development. The acquisition of Grande Cache in partnership with Marubeni is the first major step in the vertical integration of Winsway, securing high-quality coal reserves with low ash content and volatility. The acquisition also complements the core business of Winsway as a leading coking coal supplier. Our partner, Marubeni Corporation, is one of the

Chairman and CEO's Statement

largest trading houses in Japan and has contributed significant value to this acquisition. Marubeni has been a sales agent of Grande Cache area in Japan for over 30 years and its exclusive agent in Japan since 2004. Having Marubeni as partner in the acquisition will be able to provide great synergy in bringing the product and marketing into the Asian market.

Winsway has also faced significant challenges in 2011. Our overall procurement amount and railway capacity allocation fell short of our expectations during the second half of the year. This resulted in less than expected revenue and earnings growth, as well as a large inventory build-up. In 2011, railway transportation capacity between Inner Mongolia and the coastal region of China stayed more or less flat while there was a significant increase in both thermal coal production in Inner Mongolia and coking coal production in the Republic of Mongolia. The province of Inner Mongolia, for the second consecutive time, produced more coal than Shanxi province and the Republic of Mongolia's coking coal production increased from 14 million tonnes in 2010 to roughly 20 million tonnes in 2011. Furthermore, during the winter months, the Chinese government allocated most of its railway capacity in the north to thermal coal transportation due to the increased demand for power and heating generation in the coastal region of China. Finally, there was significantly more competition on the Chinese side as several state-owned companies and numerous private entities have entered the market.

We believe that 2012 will be a challenging year for our business. Globally, the coking coal price continues to soften due to weaker demand in the first few months of the year given an uncertain macro-economic backdrop. The market challenges that developed during the second half of 2011 remain, including in particular the increasing thermal coal production in Inner Mongolia, the increasing production of Mongolian coking coal, the limited increase in railway transportation capacity and greater competition. There is also a possibility of domestic steel production slowing down this year if the Chinese economy is unable to pick up sufficiently. However, like many in the industry, we feel the coking coal market will stabilize during the second half of 2012 on the back of a stronger global economic recovery. We will continue to work with our various partners in the Mongolian coal business to further solidify our leading position. The coking coal industry is growing very fast and many interesting opportunities may present themselves. Reducing our inventory level will also be one of our major focuses for 2012. We will cooperate with upstream suppliers to lower our inventory to an efficient level and still be able to meet the demands of our customers. Our partner Marubeni and Winsway are in the process of integrating the Grande Cache asset. We hope to extract value from several areas of synergy among the three companies in marketing, operations, and logistics. With Winsway's knowledge in processing coal, we will be able to lower production costs and increase efficiency. Grande Cache's premium products and

Chairman and CEO's Statement

Marubeni's and Winsway's marketing strength in Asia would also allow us to take advantage of a potential market turnaround in the second half of 2012. This year, we will continue to work with Chinese companies to build a stronger relationship to further secure our railway allocation. Finally, we will continue to expand our services for Mongolian iron ore importation which we started in 2011. As market conditions improve Winsway should benefit from its strong market position, close partnerships and vertically integrated platform.

Sincerely yours,

Wang Xingchun
Chairman and CEO
Winsway Coking Coal Holdings Limited

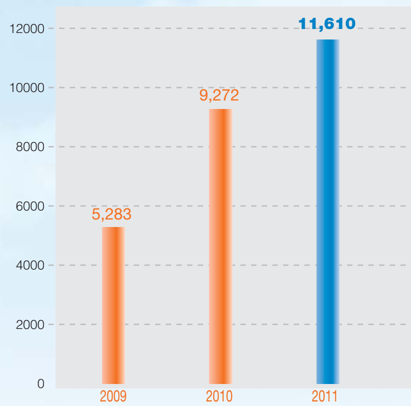
26 March 2012

Financial Highlights

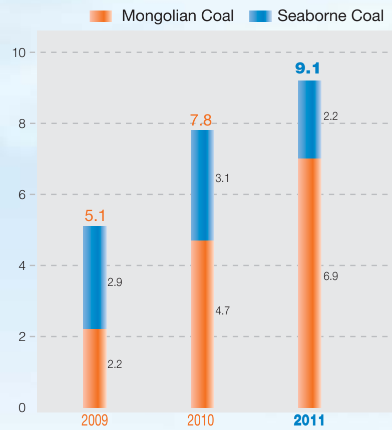
- Turnover of the Group in 2011 was HK$11,610 million, representing an increase of HK$2,338 million or 25.22% over 2010.
- Profit attributable to equity shareholders of the Company in 2011 was HK$1,051 million, representing an increase of HK$122 million or 13.13% over 2010.
- Diluted earnings per share were HK$0.275.
- The Board recommends a final dividend of HK$0.016 per share for the year ended 31 December 2011.

Financial Highlights

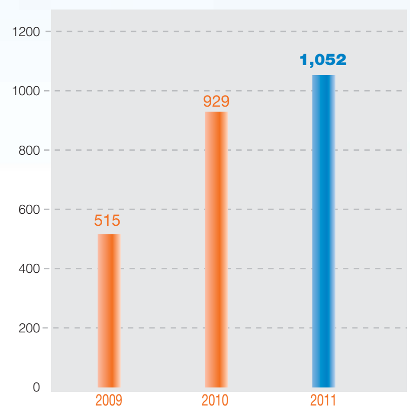
Total Revenue (HKD in millions)



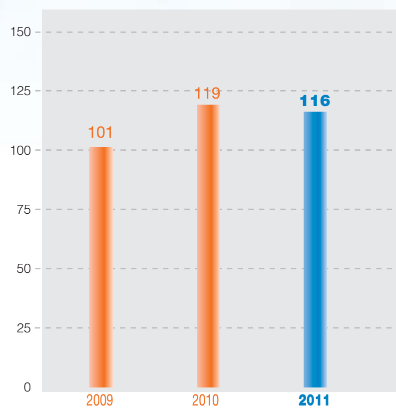
Total Sales Volume (million tons)



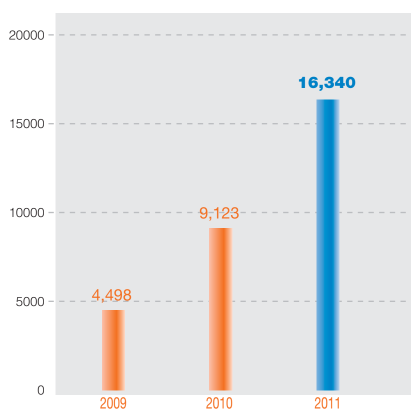
Net Profit (HKD in millions)



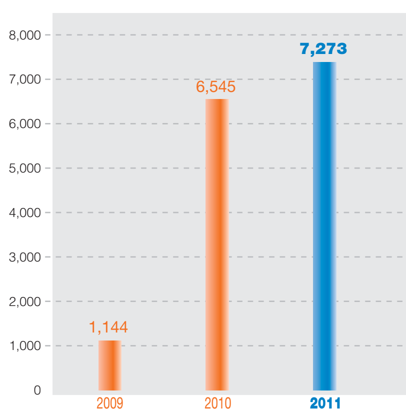
Net Profit Per Tonne (HKD)



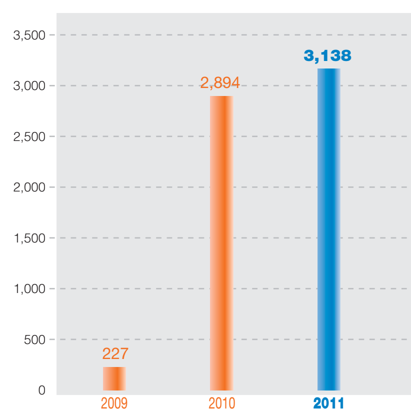
Total Asset (HKD in millions)



Total Equity (HKD in millions)



Cash Balance (HKD in millions)



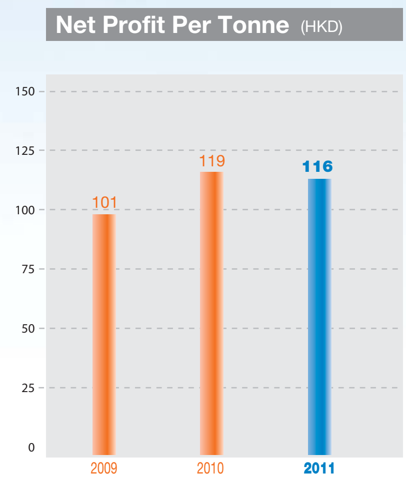
Management Discussion and Analysis of Financial Conditions and Operating Results

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

I Overview

In 2011, our revenue increased by 25.22% to HK$11,610 million from 2010's HK$9,272 million. We sold a total of 6.92 million tonnes of Mongolian coal and 2.17 million tonnes of seaborne coal in 2011, representing 46.61% increase and 30.23% decrease year-on-year, respectively. Our net profit increased from 2010's HK$929 million to 2011's HK$1,052 million, an increase of 13.24%.

On a per-tonne basis, we achieved a unit net profit of HK$116 in 2011, in line with our operational target.



II Procurement

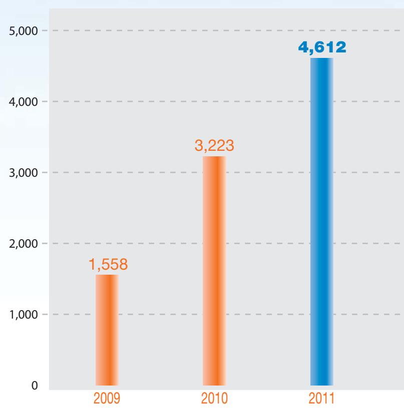
In 2011, we procured a total of 7.04 million tonnes of Mongolian raw coal and clean coal, representing an 8.81% increase in terms of Mongolian coal procurement over 2010 (6.47 million tonnes). This increase was less than expected and can be attributed to several factors. The most significant one is the fact that the Chinese government allocated most of its railway capacity in the north to thermal coal transportation in the winter due to the increased demand for power and heating generation in the coastal region of China. This was exacerbated by the significant increase in both thermal coal production in Inner Mongolia and coking coal production in the Republic of Mongolia. The province of Inner Mongolia, for the second consecutive time, produced more coal than Shanxi province and the Republic of Mongolia's coking coal

Management Discussion and Analysis of Financial Conditions and Operating Results

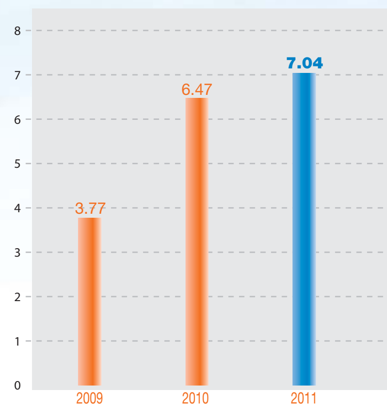
production increased from 14 million tonnes in 2010 to roughly 20 million tonnes in 2011, while at the same time the increase of railway transportation capacity between Inner Mongolia and the coastal region stayed more or less flat. Finally, there was significantly more competition on the Chinese side. Several state-owned companies and numerous private entities have now started to compete in this space.

In 2011, our largest supplier and top 5 suppliers accounted for 23.51% and 57.58% of our total purchases, respectively. In 2011, our Mongolian coal procurement volume was approximately 7.04 million tonnes, an 8.81% increase and our seaborne coal procurement volume was approximately 2.60 million tonnes, a 15.03% decrease over 2010.

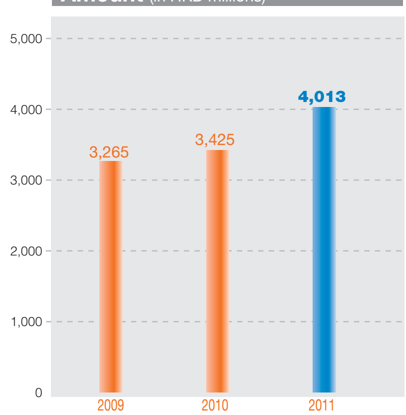
Mongolian Coal Procurement Amount (in HKD millions)



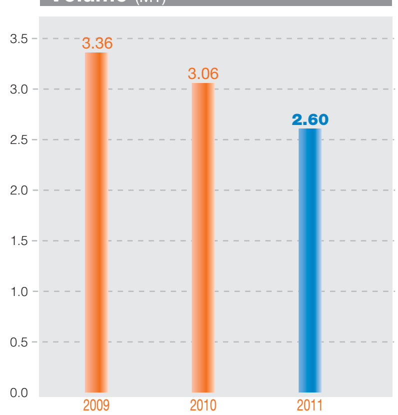
Mongolian Coal Procurement Volume (MT)



Seaborne Coal Procurement Amount (in HKD millions)



Seaborne Coal Procurement Volume (MT)



Management Discussion and Analysis of Financial Conditions and Operating Results

Top Mongolian Suppliers

Suppliers	Description	Procurement Amount (HK$ million)
Moveday Enterprises Limited	Coal	1,533
Mongolian Mining Corporation	Coal	1,156
MAK	Coal	723
SouthGobi Sands LLC	Coal	333

Note: Coal purchased from Moveday was mined by Tavan Tolgoi Corporation. Moveday also provided transportation services amounting to HK$495 million in the year 2011. Our supplier base of Mongolian coal includes many of the major coking coal suppliers in Mongolia.

We currently have four Mongolian coal suppliers. In addition to the 10-year strategic contract that we have with Tavan Tolgoi Trans Co., Ltd Company ("TTC"), a 3-year strategic agreement with an undisclosed Mongolian supplier and a 5-year strategic agreement with SouthGobi, we have also successfully secured a 10-year strategic agreement with MAK with a minimum annual offtake volume of 3 million tonnes in 2011. 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 and 50% of its total annual output, with an increase in volume each year based on actual production
Mongolian Mining Corporation	2010–2013	Up to 2.0 Mt per year
SouthGobi Sands LLC	2010–2015	Minimum 2.0 Mt per year
MAK	2011–2020	3.0 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 region of China.

In addition to coal products, we also started to provide services to an iron ore producer in 2011, in which we serviced 0.48 million tonnes of iron ore through the Erlianhaote border crossing.

III Infrastructure

Infrastructure building is at the heart of our business model and our infrastructure build-out achieved significant milestones in 2011. The Company completed construction of three railway logistics centres at Erlianhaote, Ceke and Jining. The completion of these railway logistic centres will greatly enhance the Company's transportation capacity and facilitate the growth of border-crossing volume. The construction of the coal processing plants at Jining, Bayuquan and Longkou port has been completed and they have commenced operation. Each of these three coal processing plants has an annual coal processing capacity of 4 million tonnes and will enhance the Company's ability to process raw coal both from the seaborne market and the Mongolian market.

Management Discussion and Analysis of Financial Conditions and Operating Results

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, coal storage wind shields, stockpile area, etc.	Completed	Ancillary facilities
	Railway loading system	Consists of transshipment stations and stockpile areas.	Completed	10.0 mt
	Air separation coal processing plant	Consists of air separation production lines and ancillary facilities such as men's and women's quarters.	Completed	1.2 mtpa
	Border-crossing conveyor belt	Consists of coal conveyor belts for coal transportation.	Construction in progress	6.0 mtpa transportation capacity
Erlianhaote	Railway logistics park	Consists of office buildings, boiler houses, maintenance workshops, stockpile areas, coal storage wind shields, and transshipment stations	Completed	6.0 mtpa
Manzhouli	Logistics Park	Consists of ore stockpile areas, coal stockpile areas and roads.	Construction in progress	Ancillary facilities
	Railway loading system	Consists of transshipment stations and stockpile areas.	At the stage of design and planning	10.0 mtpa
	Dense medium processing plant	Dense medium coal processing plant and ancillary production and living facilities.	Construction in progress	3.0 mtpa
Grants Mod	Urad Zhongqi coal processing plant	Consists of three completed production lines, two slime re-selection lines (under construction), as well as ancillary facilities such as office buildings, staff quarters, canteens, shower rooms and gas stations.	Slime re-selection and two new coal stockpile areas under construction	Coal processing capacity 6.0 mtpa; Slime processing capacity 0.6 mtpa
	Railway logistics park	Consists of transshipment stations and stockpile areas.	Construction commencing soon	10.0 mtpa
	Logistics Park	Consists of staff quarters, commercial lots, canteens, boiler houses, water pump rooms, gas stations, motels, maintenance workshops, stockpile areas, and coal storage wind shields.	Currently in operation while undergoing upgrade.	Ancillary facilities
	Border-crossing conveyor belt	Consists of coal conveyor belts for coal transportation.	Construction in progress	6.0 mtpa
Jining	Jining coal processing plant	Consists of coal separation production lines and ancillary facilities such as men's and women's quarters.	Completed	4.0 mtpa
	Logistics Park	Bridge, telecommunication, track scale, railway station.	Construction in progress	10.0 mtpa
Yingkou	Bayuquan coal processing plant	Consists of coal processing plant and ancillary facilities.	Completed	4.0 mtpa
Longkou	Longkou coal processing plant	Consists of coal processing plant, offices and ancillary facilities.	Completed	4.0 mtpa
	Longkou Docking facilities	Consists of a port berth	At the stage of design and planning	70,000–80,000 dead weight tonnes
Hunchun	Hunchun logistics park	Coal processing plant and rail logistic park	At the stage of design and planning	3.0 mtpa
Huayuan Joint Venture	Self-owned rolling stocks	3,300 rolling stocks owned by joint venture	Holding 3,300 rolling stocks	Est. capacity of 11.8 mtpa

IV Our Customers

We continued to receive strong support from our customers in 2011. Our customers include steel mills and coke producers located in northern, coastal and central regions of China as well as in Japan and Taiwan region. In terms of sales, our top 5 end customers are as follows:

Winsway's Top 5 End Customers

Name	Type	Location	Amount (HK$'mil)
Liu Steel	Steel Mill	Guangxi	1,207
Sha Steel	Steel Mill	Jiangsu	1,041
Marubeni Corporation	Trading	Japan	828
Wuhan Steel	Steel Mill	Hubei	595
Bao Steel	Steel Mill	Shanghai	518

V Peabody-Winsway Joint Venture

The joint venture between Peabody Energy and the Group has carried out continuous exploration work in Mongolia. We will continue to expand the scope of the exploration work to search for more potential coking coal resources. Also, in 2011, we successfully sold 8 non-viable licenses for approximately US$7.8 million.

The operating losses of the Peabody-Winsway joint venture in 2011 were approximately HK$56.92 million, out of which HK$28.46 million was borne by Winsway.

Management Discussion and Analysis of Financial Conditions and Operating Results

VI Financial Review

a. Sales

In 2011, our sales revenue grew 25.22% from 2010, to reach an all-time record of HK$11.61 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		
	2009	2010	**2011**
	HK$'000	*HK$'000*	***HK$'000***
Turnover			
Mongolian Coal	1,994,845	5,073,434	**7,249,444**
Seaborne Coal	3,215,877	4,155,712	**3,776,550**
Others	72,494	42,519	**584,419**
Total	5,283,216	9,271,665	**11,610,413**

We sold a total of 9.09 million tonnes of coking coal in 2011, consisting of 6.92 million tonnes of Mongolian coal and 2.17 million tonnes of seaborne coal. We procured 7.04 million tonnes of Mongolian coal and 2.60 million tonnes of seaborne coal. As a result, the average selling price of our coking coal products increased 2.88%, from HK$1,179 per tonne in 2010 to HK$1,213 per tonne in 2011.

	Years ended 31 December					
	2009		2010		**2011**	
	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	2,140,892	932	4,720,952	1,075	**6,918,383**	**1,048**
Seaborne coal	2,932,937	1,096	3,106,230	1,338	**2,170,995**	**1,740**
Total	5,073,829	1,027	7,827,182	1,179	**9,089,378**	**1,213**

Management Discussion and Analysis of Financial Conditions and Operating Results

b. Cost of Goods Sold ("COGS")

The increase of COGS in 2011 tracked the increase of our sales revenue to reach a total of HK$9,413 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 Mongolian coal increased as we started to procure clean coal in 2011. The average purchase price of Mongolian coal increased 31.53%, from HK$498 per tonne in 2010 to HK$655 per tonne in 2011, while the average purchase price of seaborne coal increased 37.98%, from HK$1,119 per tonne in 2010 to HK$1,544 per tonne in 2011.

	Years ended 31 December					
	2009		2010		**2011**	
	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	3,771,636	413	6,472,246	498	**7,043,057**	**655**
Seaborne coal	3,361,228	971	3,062,230	1,119	**2,599,308**	**1,544**
Total	7,132,864	676	9,534,476	697	**9,642,365**	**894**

Management Discussion and Analysis of Financial Conditions and Operating Results

c. Gross Profit

2011 gross profit increased from HK$2,118 million in 2010 to HK$2,197 million in 2011. 2011 gross profit margin was about 18.92%.

d. Administrative Expenses

Administrative expenses increased from HK$359 million in 2010 to HK$428 million in 2011. The increase in the administrative expenses is in line with our business expansion. We have completed the construction of several washing plants and logistic parks which have been put into operation, so the staff headcount increased accordingly.

e. Net Finance Costs

Net finance costs decreased from HK$114 million in 2010 to HK$90 million in 2011. Finance expenses consist of actual cash interest payments on bank loans and discounted bills as well as the interest on the Senior Notes. In April 2011, we issued US$500 million Senior Notes with a coupon rate at 8.5%. The increase in interest on the Senior Notes was offset by an increase in foreign exchange gains recorded in the overseas subsidiaries of the Group resulting from RMB appreciation during the period.

Management Discussion and Analysis of Financial Conditions and Operating Results

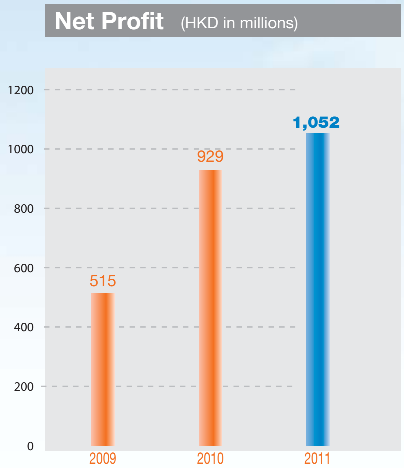
	Years ended 31 December		
	2009	2010	2011
	HK$'000	HK$'000	HK$'000
Interest income	(7,041)	(18,768)	(108,193)
Foreign exchange gain, net	—	(47,057)	(207,674)
Finance income	(7,041)	(65,825)	(315,867)
Interest on secured bank and other loans	20,343	37,661	81,334
Interest on discounted bills	20,353	41,642	51,895
Interest on liability component of convertible bonds	—	49,942	—
Interest on liability component of redeemable convertible preferred Shares	—	50,683	—
Interest on senior notes	—	—	253,477
Less: interest expense capitalised into construction in progress	—	—	(4,425)
Total interest expense	40,696	179,928	382,281
Foreign exchange loss, net	1,338	—	—
Bank charges	—	—	14,789
Net change in fair value of derivative financial instruments	—	—	9,205
Finance costs	42,034	179,928	406,275
Net Finance Costs	34,993	114,103	90,408

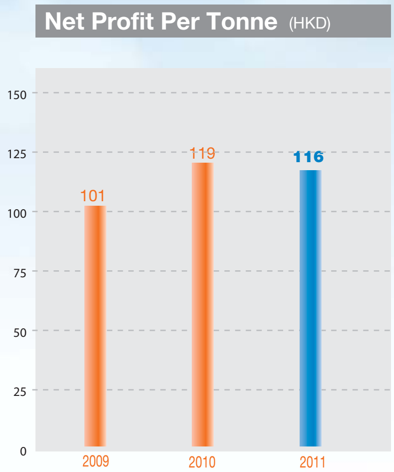
Management Discussion and Analysis of Financial Conditions and Operating Results

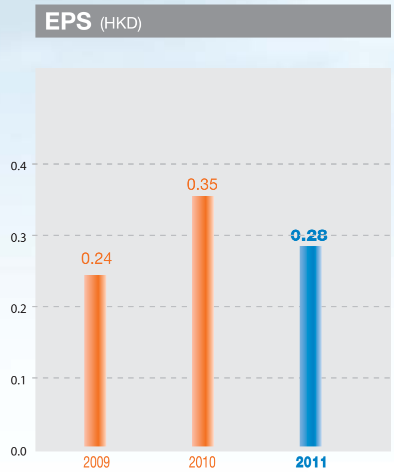
f. Net Profit and Earnings Per Share ("EPS")

Net profit increased 13.24% from HK$929 million in 2010 to HK$1,052 million in 2011. This translates into a per tonne net profit of HK$116 in 2011 versus HK$119 in 2010.

The EPS decreased from HK$0.35 in 2010 to HK$0.28 in 2011, as the weighted average number of shares diluted was significantly higher in 2011 (3.82 billion) than in 2010 (2.67 billion).



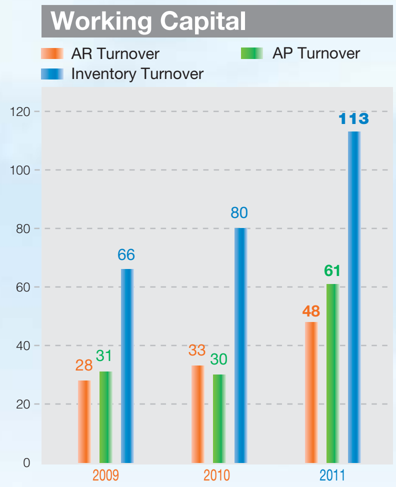




g. Working Capital

Our accounts receivable turnover days, accounts payable turnover days and inventory turnover days for 2011 were 48 days, 61 days and 113 days, respectively. As a result, on average our cash conversion cycle was approximately 100 days. Compared with figures in 2010, these figures are higher. This is primarily a result of the difficult operating environment in the second half of the year, particularly the lack of available railway capacity allocation due to a significant increase in thermal coal production in Inner Mongolia and the Chinese government's mandate to give priority to thermal coal transportation during the winter. The stagnant railway capacity growth during the year also contributed to this difficulty. However, our strong liquidity and credit will continue to support our growth and working capital needs going forward.

Management Discussion and Analysis of Financial Conditions and Operating Results



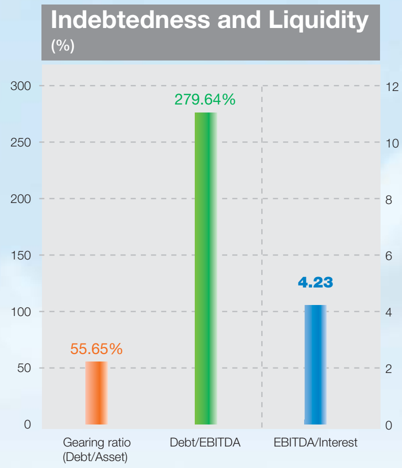
h. Property, Plant and Equipment

The aggregate value of fixed assets and construction in progress totaled HK$1,628 million at the end of 2011, a 115.34% increase over 2010. New fixed assets included new railway logistics facilities, rolling stocks, border crossing facilities, washing plants, etc.

i. Indebtedness and Liquidity

The total bank and other loans at the end of 2011 amounted to HK$726 million, the majority of which were for financing working capital. There was a 32.34% decrease in the amount of total bank and other loans over 2010 as a result of the issuance of the US$500 million Senior Notes, from which part of the proceeds was for working capital purposes. The range of interest rates per annum for bank loans and other loans was from 1.25% to 8.28%, while the range in 2010 was from 1.42% to 7.46%. As at 31 December 2011, the untapped credit line available to the Group was HK$8,171 million. The Group's gearing ratio as at 31 December 2011 was 55.65% (2010: 28.25%), which is calculated on the basis of the Group's total liabilities divided by its total assets.

Management Discussion and Analysis of Financial Conditions and Operating Results



j. Contingent Liabilities

The Company's existing subsidiaries, other than those established/incorporated under the laws of the PRC, Winsway Coking Coal (Macao Commercial Offshore) Limited, Winsway Coking Coal Holdings S.A.R.L, 092165 B.C. Ltd. and 1629835 Alberta Ltd., have provided guarantees for the Senior Notes issued in April 2011. The guarantees will be released upon the full and final payment and performance of all obligations of the Company under the Senior Notes.

k. Pledge of Assets

At 31 December 2011, bank and other loans amounting to HK$88,456,000 (2010: HK$435,394,838) were secured by bank deposits placed in banks with an aggregate carrying value of HK$91,887,000 (2010: HK$261,616,015).

At 31 December 2011, bank and other loans amounting to HK$547,799,000 (2010: HK$533,567,004) were secured by trade and bills receivables with an aggregate carrying value of HK$569,459,000 (2010: HK$575,549,644).

At 31 December 2011, bank and other loans amounting to HK$90,046,000 (2010: HK$23,614,000) were secured by land use rights with an aggregate carrying value of HK$83,855,000 (2010: HK$55,245,106).

l. Operating Cash Flow

Our 2011 operating cash inflow was HK$376 million versus HK$47 million in 2010, primarily due to the increased net profit and prudent management of working capital.

m. Capital Expenditure

Our 2011 capital expenditure amounted to HK$643 million, a decrease of 24.88% over 2010.

n. Financing Cash Flow

We raised HK$3,788 million through issuing US$500 million Senior Notes in April 2011, with a net financing cashflow of HK$2,627 million.

VII Exposure to exchange rate fluctuations

Over 70% of the Group's turnover in 2011 are denominated in Renminbi. Over 85% of the Group's cost of coal purchased, 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.

VIII Final Dividends

The Board has resolved to recommend the payment of a final dividend of HK$0.016 per share, which translates into 25% of the second half of 2011 net profit.

IX Human Resources

a. Employee Overview

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

Management Discussion and Analysis of Financial Conditions and Operating Results

For the year ended 31 December 2011, there are 1,368 full-time employees in the Group (excluding 656 labour dispatch staff). Detailed categories of employees are as follows:

Functions	No. of Employee
Management, Administration & Finance	343
Front-line Production	422
Maintenance & Production Support	491
Sales & Marketing	44
Others (incl. Projects, CP)	68
Total	1,368

For the year ended 31 December 2011, the staff costs (including Directors' remuneration in the form of salaries and other benefits) were approximately HK$284 million (2010: HK$214 million).

For the year ended 31 December 2011, the Group complied with the relevant PRC labour laws and regulations in all material respects, including contribution 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.

Management Discussion and Analysis of Financial Conditions and Operating Results

b. Employee Education Overview

Qualifications	No. of employee	Percentage
Master & above	66	4.8%
Bachelor	253	18.5%
Diploma	483	35.3%
Middle-School (Secondary School) & below	566	41.4%
Total	1,368	100.0%

c. Training Overview

Training is essential to the Group as it helps improve employees' working capabilities and management skills. The Group sponsored various internal and external training programs in 2011, and accumulatively 4,096 participants were covered by these with approximately 103,000 training hours in total.

There was an increase in number of staff as a result of 3 new washing plants put into operation this year. The new staff orientation program covering company introduction, rules and discipline, safety and operation guidelines accounted for 33,465 training hours.

Some of our management staff are participating in an EMBA program sponsored by the Company as well.

Training Courses	No. of hours	No. of participants
Safety training	23,210	1,255
Management training	2,270	253
New staff training	33,465	1,002
Operational expertise training	8,958	808
Other Training	34,985	778
Total	102,888	4,096

X Subsequent Events

On 1 November 2011, the Company announced that it had entered into a joint venture with Marubeni Corporation through a consortium vehicle to acquire the entire issued share capital of Grande Cache Coal Corporation. The joint venture is indirectly held by the Company and Marubeni Corporation, whose effective interests in the consortium vehicle are 60% and 40%, respectively. Smokey River Coalfield, where Grande Cache operates, has long-standing and proven coal producing assets in Western Canada which also has significant potential for future expansion. The Smoky River Coalfield has an operating history dating back to 1969. In its fiscal year ended 31 March 2011, Grande Cache produced 1.4 million tonnes of clean coal and hopes to achieve an annual run rate of 3.5 million tonnes of production by the end of its fiscal year 2013. The acquisition is the first major step towards the vertical integration of the Company's business model. Grande Cache's low-volatility coking coal will provide excellent blending stock coal, which is complementary to the Company's existing product offering. The acquisition of Grande Cache was completed on 1 March 2012.

XI 2012 Outlook

Winsway has also faced significant challenges in 2011. Our overall procurement amount and railway capacity allocation fell short of our expectations during the second half of the year. This resulted in lower than expected revenue and earnings growth, as well as a large inventory buildup. During 2011 railway transportation capacity between Inner Mongolia and the coastal region stayed more or less flat while there was a significant increase in both thermal coal production in Inner Mongolia and coking coal production in the Republic of Mongolia. The province of Inner Mongolia, for the second consecutive time, produced more coal than Shanxi province and the Republic of Mongolia's coking coal production increased from 14 million tonnes in 2010 to roughly 20 million tonnes in 2011. Furthermore, during the winter months, the Chinese government allocated most of its railway capacity in the north to thermal coal transportation due to the increased demand for power and heating generation in the coastal regions of China. Finally, there was significantly more competition on the Chinese side as several state-owned companies and numerous private entities have entered the market.

We believe that 2012 will be a challenging year for our business. Globally, the coking coal price continues to soften due to weaker demand in the first few months of the year given an uncertain macro-economic backdrop. The market challenges that developed during the second half of 2011 remain, including in particular the increasing thermal coal production in Inner Mongolia, the increasing production of Mongolian coking coal, the limited increase in railway transportation capacity and greater competition. There is also a possibility of domestic steel production slowing down this year if the Chinese economy is unable to pick up sufficiently. However, like many in the industry, we feel the coking coal market will stabilize during the second half of 2012 on the back of a stronger global economic recovery. We

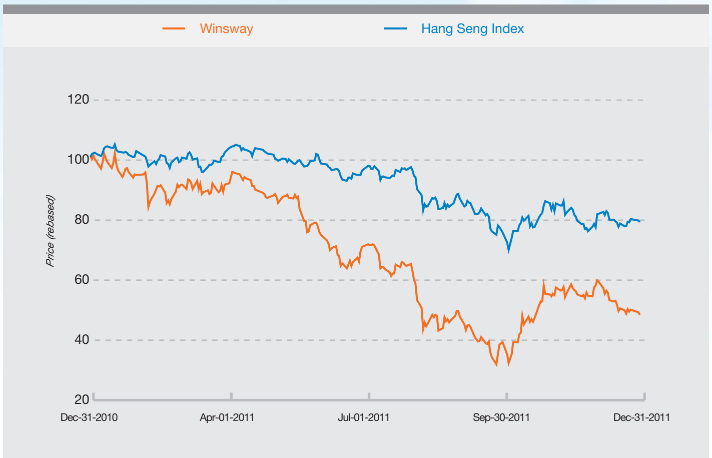
Management Discussion and Analysis of Financial Conditions and Operating Results

will continue to work with our various partners in the Mongolian coal business to further solidify our leading position. The coking coal industry is growing very fast and many interesting opportunities may present themselves. Reducing our inventory level will also be one of our major focuses for 2012. We will cooperate with upstream suppliers to lower our inventory to an efficient level and still be able to meet the demands of our customers. Our partners Marubeni and Winsway are in the process of integrating the Grande Cache asset. We hope to extract value from several areas of synergy among the three companies in marketing, operations, and logistics. With Winsway's knowledge in processing coal, we will able to lower production cost and increase efficiency. Grande Cache's premium products and Marubeni's and Winsway's marketing strength in Asia will also allow us to take advantage of a potential market turnaround in the second half of 2012. This year, we would continue to work with Chinese companies to build a stronger relationship to further secure our railway allocation. Finally, we will continue to expand our services for Mongolian iron ore importation which we started in 2011. As market conditions improve Winsway should benefit from its strong market position, close partnerships and vertically integrated platform.

Investor Relations Report

The Company attaches great importance to its investor relations and information disclosure and has maintained constant communication with its Shareholders. 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 informed decisions on their investments. The Company has also enhanced its communications by meeting with institutional investors on roadshows and has invited investors to conduct site visits to our facilities.

Performance of Share Price



In 2011, the Company had an opening share price of HK$4.75 on 3 January 2011 and the Hang Seng Index opened at 23,436.05 points. On 31 December 2011, the closing price of Winsway was HK$2.30 and the Hang Seng Index closed at 18,434.39 points. The Winsway share price was affected by the global economic slowdown and the European debt crisis. The relative difference between the Winsway share prices and the Hang Send Index between May and October was mainly caused by two events. On 12 July 2011, Moody's Investor Service released a report which raised red flags in respect of certain Hong Kong listed Chinese companies based on a number of criteria in checking the company's operation history and corporate governance. The report was written from the credit side perspective, but it greatly affected equity investors as the headlines were alarming. Winsway was marked with 11 red flags, the second highest out 61 companies. Investors who did not have access to the Moody's report were alarmed by the headlines and did not know the criteria that triggered each of the red flags. Most of the flags were raised due to our short company history and our aggressive growth which is not uncommon for a young, dynamic and newly listed company. As we have raised capital through our IPO and the Senior Notes offering, investors would like to see the Company to invest its newly raised funds and continue its expansion. This year there has also been major restructuring in the Ministry of Railways' management in China due to safety concerns and the market was worried whether it would affect the Company's ability to secure its transportation quota allocation.

Investor Relations Report

Summary of Investor Relationship Activities

The Company has a professional and dedicated team to carry out investor relationship activities. During the year of 2011, the following investor relations meetings were held by the team:

Details of Activities	Number of anticipation (approximately)
Investment Conferences/Non-deal Roadshows	27
One-on-One and Group Meetings	130
Reverse Roadshows	3
Analysts Coverage	12
Internet/Media Communication	Ongoing

Investor Relations Report

Investment Conferences:

Throughout the year of 2011, the Company attended major conferences and non-deal roadshows. Below is a table that summarises the activities in which the Company participated.

Month	Activities
January	—Deutsche Bank Access China Conference —Macquarie Emerging Leaders Corporate Day —Citi Commodities Conference 2011
February	— Non-deal Road Show organized by Morgan Stanley
March	— 2011 CIS Coal Conference — CLSA Commodities Forum 2011 — Non-deal Roadshow organized by Deutsche Bank
April	— Non-deal Roadshow organized by Goldman Sachs — Non-deal Roadshow organized by BofA Merrill Lynch
May	— Investor Reverse Roadshow to Erlianhaote, Jining, Urad Zhongqi and Gants Mod — BofA Merrill Lynch Asian Stars Conference — DB Access Asia Conference 2011
June	— Renaissance Capital Frontier Resources 1:1 Conference — Standard Chartered Earth's Resources Conference — Merrill Lynch Corporate Access Day — Daiwa Hong Kong China Investment Seminar
July	—Three Investor Reverse Roadshow to Erlianhaote, Jining, Urad Zhongqi and Gants Mod
August	— Non-deal Roadshow organized by BofA Merrill Lynch — Non-deal Roadshow organized by Deutsche Bank — Non-deal Roadshow organized by RBS
September	— GS Commodities Conference — Three Investor Reverse Roadshow to Erlianhaote, Jining, Urad Zhongqi and Gants Mod
October	— Citigroup 2011 Fixed Income Conference — BNP Paribas 18th Annual China Conference
November	— BofA Merrill Lynch New China Conference — Morgan Stanley 10th Annual Asia Pacific Summit
December	— SWS Overseas Listed Chinese Enterprises Forum — Shenzhen 2011

Investor Relations Report

Reverse Roadshow:

The Company arranged a total of seven reverse roadshows throughout the year of 2011. The primary function of such roadshows is 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.

One-on-One/Group Meetings:

The Company continues to maintain close communications with its investors through face-to-face meetings and conference calls. The Company has also continued to engage in meetings with numerous potential investors.

Analyst Coverage:

Winsway continues to receive research coverage throughout the year. There has also been an increase in established and reputable research institutions who are interested in Winsway.

— DBS Vickers Securities
— Deutsche Securities Asia Ltd.
— Merrill Lynch (Asia Pacific) Ltd.
— MF Global Hong Kong
— Mongolia International Capital Corporation
— RBS Global Banking & Markets
— UOB Kay Hian
— Standard Chartered
— Mirae Asset
— Huatai United Securities
— Goldman Sachs (Asia) L.L.C.
— Guosen Securities (HK)

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 48, 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 37, 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 52, 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 56, 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 subsidiaries, Grand Cache, and 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 37, 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

Mr. Delbert Lee Lobb, Jr., aged 54, was appointed as a non-executive Director on 16 January 2012. He has more than 30 years of global coal industry experience with roles in engineering and operations management, which include executive level responsibilities. Mr. Lobb is currently the Group Executive Operations Support for Americas of Peabody Energy. Mr. Lobb has been responsible for large-scale surface and underground mines for Peabody Energy in the United States. Previously he was the Group Executive of Peabody Energy's Powder River Basin Operations located in Wyoming, and Operations Manager of Peabody Energy's Twentymile underground mine in Colorado. Mr. Lobb is currently a board member of the University of Kentucky Mining Engineering Foundation. Mr. Lobb previously served on the board of a number of United States-based mining associations and as the chief executive officer, president and board member of Westmoreland Coal Company, a US publicly traded coal mining company, from May 2008 to January 2009. Mr. Lobb graduated from the University of Kentucky, the United States, with a Bachelor's Degree in Civil Engineering (Mining Option), and from Vanderbilt University, the United States, with a Master's Degree in Business Administration. Mr. Lobb is a registered Professional Mining Engineer in the United States.

Profile of Directors and Senior Management

Liu Qingchun (劉青春), aged 46, 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 42, 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.

Profile of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

James Bedford Downing III (also known as James Downing), aged 57, joined our Group as an independent non-executive Director on 18 June 2010. Mr. Downing is currently a Senior Advisor to Lansdowne Capital Limited, a London-based independent corporate finance advisory and private investment firm with a focus on basic industries, building materials and distribution sectors. He is also currently the Non-Executive Chairman of Nuada Medical Group Ltd, a UK-based private sector medical services company. From 2001 to 2003, Mr. Downing acted as the Deputy Head of JPMorgan Chase & Co.'s European Investment Banking group and prior to the merger of J.P. Morgan & Co. with Chase Manhattan Bank in 2000 he was Head of European Global Mergers & Acquisitions at Chase Manhattan. From 1994 to 1997, Mr. Downing was Managing Director and Head of the European Strategic Advisory Group of Lehman Brothers. From 1989 to 1994, Mr. Downing was a Managing Director at Wasserstein Perella, a corporate finance advisory firm specialising in merger and acquisition advisory work. In 1982, Mr. Downing joined the New York Office of First Boston Corporation in its investment banking division and transferred to the London Office of First Boston in 1987 as a Vice President where he worked until 1989. From 1976 to 1980, Mr. Downing worked at the New York Office of Manufacturers Hanover Trust Company (which subsequently became part of JPMorgan Chase & Co.). In addition to his banking and finance experience, Mr. Downing is the founder and Chairman of London Youth Rowing, a London-based sports initiative involving thousands of young people in schools and youth clubs in inner city areas of high economic and social deprivation. Mr. Downing obtained a Master of Business Administration degree from the Yale School of Management of Yale University in 1982 and a Bachelor of Science degree from Rensselaer Polytechnic Institute in 1976.

Profile of Directors and Senior Management

Ng Yuk Keung (吳育強), aged 47, 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 China NT Pharma Group Company Limited (stock code: 1011), a company listed on the Hong Kong Stock Exchange. 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. From February 2007 to October 2011, Mr. Ng was the independent non-executive director of Xinjiang Xinxin Mining Industry Co., Ltd. (stock code: 3833), a company listed on the Stock Exchange. Mr. Ng graduated from The University of Hong Kong with a bachelor's degree in Social Sciences in 1988 and a master's degree in Global Business Management and E-commerce in 2002. He is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales. Set out below are the current appointments in other listed companies on the Hong Kong Stock Exchange which Mr. Ng has undertaken:

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	Beijing Capital Land Limited	2868
Independent non-executive director	Zhongsheng Group Holdings Limited	881

Profile of Directors and Senior Management

Wang Wenfu (王文福) aged 45, was appointed as an independent non-executive Director of our Company on 20 August 2010. Mr. Wang has extensive experience in the mining industry, with international business development, cross-border mergers and acquisitions, business network establishment and international trading expertise. Before Mr. Wang joined our Group as an independent non-executive Director in 2010, he worked for Aluminum Corporation of China Ltd. ("CHALCO"), a company listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange and the New York Stock Exchange since 2004, and was mainly responsible for the development of CHALCO's overseas business, cross border mergers and acquisitions, foreign investment and risk management. He also acted as the President of Chinalco Overseas Holding Ltd., Director and President of Chalco Hong Kong Ltd., Chairman of Chalco Australia Pty. Ltd. and Chief Representative of CHALCO's operations in Vietnam and Indonesia. Mr. Wang graduated from the Department of Linguistics of Kunming University of Science and Technology in 1987. He also obtained a Master of Business Administration degree from Monash University in 1995 and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia in 2002.

George Jay Hambro, aged 37, 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.

Profile of Directors and Senior Management

SENIOR MANAGEMENT

Zhu Qingrang (朱慶讓), aged 63, 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 41, is the Vice President who is responsible for the treasury functions and internal administration of our Group. Ms. Ma joined Winsway Group in 1998, where she was mainly responsible for internal administration and treasury functions. She then became an employee of our Group in 2007 upon our establishment. She previously worked at the rare earth research centre of Inner Mongolia Baotou Steel Rare-Earth (Group) Hi-Tech Co., Ltd as an assistant engineer from 1991 to 1995. She graduated from Baotou College of Iron & Steel with a bachelor's degree in Metallurgy in 1991. Ms. Ma also obtained a Master of Engineering degree in 1998 and a Master of Business Administration degree in 2006 from the University of Science and Technology Beijing.

Di Jingmin (邸京敏), aged 40, 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.

Profile of Directors and Senior Management

Xu Changmao (徐昌茂), aged 45, 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.

Liao Min (廖敏), aged 49, is a Vice President in charge of contract and procurement department and mainly responsible for the procurement of equipment and materials of projects and production units as well as contract commercial negotiation. Ms. Liao joined Winsway Group in July 2011. She is also a director of our subsidiary, Grand Cache. Prior to joining Winsway, Ms. Liao worked in Shell (China) Limited, first served in Shell Gas & Power, Clean Coal department, and then worked in Contract & Procurement department. From 1980 to 2006, Ms. Liao worked with a number of well-known companies, including John Brown Engineering Co., Beijing, China, China Huanqiu Chemical Engineering Corp, Hendee Enterprises Inc. Houston, Texas, and JV of CNOOC and Shell Petrochemicals Company Limited (CSPC). Ms. Liao graduated from the Beijing University of Chemical Technology, Chemical Engineering Department.

Xie Wenzhao (謝文釗), aged 38, 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 40, 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 47, 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.

Chen Yan (陳燕), aged 36, is the HR Director of the Company. Before joining Winsway, Ms. Chen worked for Shell China Limited from 2001 to 2010, Spirit Consulting Company during 2000, and Beijing Diplomatic Services Bureau from 1997 to 2000. Ms. Chen graduated from Beijing Normal University with a Bachelor's degree in English Language and Literature in 1997.

Profile of Directors and Senior Management

COMPANY SECRETARY

Cao Xinyi (曹欣怡), aged 29, 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 fulfill 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 throughout the year ended 31 December 2011.

Corporate Governance

The Board 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.

In the opinion of the Board, the Company has complied with the code provisions ("**Code Provisions**") under the CG Code throughout the year ended 31 December 2011 save for the deviation from the Code Provision A.2.1 which requires that the roles of chairman and chief executive officer to be separate and not performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarised below.

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Wang Xingchun is the Chairman of the Board and Chief Executive Officer of the Company. 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 fully complied with all the Code Provisions throughout the year ended 31 December 2011.

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 the 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. 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. Delbert Lee Lobb, Jr.
Mr. Liu Qingchun
Mr. Lu Chuan

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

During the year ended 31 December 2011, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise. The Company has also adopted the recommended best practice under the CG Code for having at least one-third of its Board members being independent non-executive Directors.

Corporate Governance Report

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 31 to 41 of this annual report.

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.

During 2011, 7 full board meeting were held. The following is the attendance record of the board meeting held by the Board during 2011:

Name of Director	Number of board meetings attended	Attendance Rate
Executive Directors		
Wang Xingchun	7	100%
Zhu Hongchan	7	100%
Yasuhisa Yamamoto	7	100%
Apolonius Struijk	7	100%
Cui Yong	7	100%
Non-executive Directors		
Cui Guiyong (resigned on 16 January 2012)	7	100%
Delbert Lee Lobb, Jr. (appointed on 16 January 2012)	N/A	N/A
Liu Qingchun	7	100%
Lu Chuan	7	100%
Independent non-executive Directors		
James Downing	7	100%
Ng Yuk Keung	7	100%
Wang Wenfu	7	100%
George Jay Hambro	7	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 except for Mr. Delbert Lee Lobb, Jr. who has entered into a letter of appointment with the Company for an initial term commencing from 16 January 2012 until the next following annual general meeting of the Company at which he will be subject to re-election in accordance with the Memorandum and Articles. 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.

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 judgment 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 have been duly considered.

Directors' Securities Transactions

The Company has adopted the Model Code 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 year ended 31 December 2011.

Appointment and re-election of the Directors

According to the Memorandum and Articles, 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 by announcement and shall include in such announcement the reasons given by the Director for his/her resignation.

Corporate Governance Report

On 16 January 2012, Mr. Cui Guiyong resigned as a non-executive Director in order to focus on his other business commitments. On the same day, Mr. Delbert Lee Lobb, Jr. was appointed as a non-executive Director for an initial term commencing from 16 January 2012 until the next following annual general meeting of the Company at which he will be subject to re-election. For further details, please refer to the announcement of the Company dated 16 January 2012.

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code on 7 September 2010. 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.

For the year ended 31 December 2011, the audit committee has held 4 meetings, at which members of audit committee reviewed and discussed with the external auditors the Group's financial statements for the year ended 31 December 2011, 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 members of the audit committee.

Auditors' Remuneration

For the year ended 31 December 2011, the fees paid/payable in respect of audit and non-audit services provided by KPMG, the Group's external auditors, are set out below:

Service	**Sum (HK$ '000)**
Audit services	7,229
Audit-related services	—
Non-audit services — tax services	450

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 the CG Code. The remuneration committee currently comprises two independent non-executive Directors, Wang Wenfu (Chairman) and James Downing, and one executive Director, Apolonius Struijk. 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 2 meetings during the year ended 31 December 2011, 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/her own remuneration. The meetings were attended by all three members of the remuneration committee. Details of the Directors' remuneration are set out in note 10 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 two independent non-executive Directors, James Downing (Chairman) and Ng Yuk Keung, and one executive Director, Yasuhisa Yamamoto. 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 1 meeting during the year ended 31 December 2011, 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 non-executive Director, Delbert Lee Lobb, Jr. (Chairman) (who took over the chair from George Jay Hambro in 2012), 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 4 meetings during the year ended 31 December 2011, at which the members of the committee reviewed and discussed health and safety strategy and implementation plan of the Company. The meetings were attended by all three members of the health and safety and environmental committee.

The health and safety and environmental committee appointed a professional consultant, Citrus Partners LLP, to assess the overall health and safety and environmental compliance of the Company.

Internal Control

The internal control system has been designed to safeguard the assets of the Group, maintain proper accounting records, and to ensure 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. During the year ended 31 December 2011, 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 Board appointed a professional consultant, Protiviti Shanghai Co. Ltd, to assess the internal control system of the Company. The internal control system is implemented to minimize 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 misstatements or losses. For the year ended 31 December 2011, 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 report and the audited consolidated financial statements of the Company and its subsidiaries for the year end 31 December 2011 prepared in accordance with IFRS.

PRINCIPAL ACTIVITIES

The Company was incorporated in the British Virgin Islands as a limited liability company on 17 September 2007. The Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 11 October 2010.

The Group principally engages 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 2011 are set out in note 19 to the financial statements set out in this annual report.

OPERATING RESULTS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 63 in this annual report.

An analysis of the Group's performance for the year is set out in pages 8 to 26 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 pages 69 to 70 of this annual report.

As at 31 December 2011, the reserves available for distribution to the Shareholders of the Company in accordance with the Articles of Association were HK$4,275,874,000 (31 December 2010: HK$4,943,508,000).

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 the IFRSs.

DIVIDENDS

The Board declared an interim dividend of HK$0.053 per share in respect of the six months ended 30 June 2011. The interim dividend was paid in Hong Kong dollars on 20 September 2011, the details of which are set out in note 36(b) to the financial statements set out in this annual report.

Net profit attributable to equity Shareholders of the Company for the year ended 31 December 2011 under IFRS amounted to HK$1,051 million (2010: HK$929 million), representing basic earnings per share of HK$0.278 (2010: HK$0.352). The Board recommends payment of a final dividend of HK$0.016 per Share (inclusive of tax) for the year ended 31 December 2011 ("**Proposed Final Dividend**") (2010: HK$0.061), to the Shareholders whose names appear on the register of members of the Company on Tuesday, 19 June 2012, subject to the Shareholders' approval at the AGM to be held on Monday, 11 June 2012 (or any adjournment thereof). It is expected that the Proposed Final Dividend will be paid on or about 28 June 2012.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the AGM

The register of members of the Company will be closed from Thursday, 7 June 2012 to Monday, 11 June 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 6 June 2012.

(ii) For determining the entitlement to the Proposed Final Dividend

The register of members of the Company will be closed from Friday, 15 June 2012 to Tuesday, 19 June 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 14 June 2012.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 164 of this annual report. The results for each of the three financial years ended 31 December 2007, 2008 and 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 2011 are set out in note 15 to the financial statements set out in this annual report.

SHARE CAPITAL

The Company's Shares are without par value. Details of the movements in number of authorised and issued Shares of the Company during 2011 are set out in note 36(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 28 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 2011, sales to the Group's five largest customers accounted for 36.08% of the total revenue of the Group, and sales to the largest customer included therein accounted for 10.40%.

For the year ended 31 December 2011, purchase from the Group's five largest suppliers accounted for 57.58% of the total purchases of the Group, and purchases from the largest supplier included therein accounted for 23.51%.

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.

SENIOR NOTES

In April 2011, the Company issued US$500 million of Senior Notes with a coupon rate of 8.5% per annum. The Senior Notes will be due in 2016 and are currently listed on the Singapore Exchange Securities Trading Limited. Proceeds from the Senior Notes issuance have provided or are expected to provide sufficient funding for the acquisition of railway wagons and other transportation vehicles as well as the investment in railway infrastructure and upstream resources.

Report of the Directors

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 (resigned on 16 January 2012)	Non-executive Director
Delbert Lee Lobb, Jr. (appointed on 16 January 2012)	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 current Directors and the senior management of the Company are set out in the section headed "Profile of Directors and Senior Management" on pages 31 to 41 in this annual report.

In accordance with Articles 14.18 of the Articles of Association, Messrs. Delbert Lee Lobb, Jr., Liu Qingchun, Lu Chuan and Ng Yuk Keung 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 except for Mr. Delbert Lee Lobb, Jr., a non-executive Director who has entered into a letter of appointment with the Company for an initial term commencing from 16 January 2012 until the next following annual general meeting of the Company at which he will be subject to re-election in accordance with the Memorandum and Articles.

None of the Directors who are proposed for re-election at the forthcoming AGM has entered 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 10 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 are 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 2011, 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	1,852,484,109	49.10%
	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	0.91%
Yasuhisa Yamamoto[3]	The Company	Personal Interest	8,469,000	0.22%
Apolonius Struijk[3]	The Company	Personal interest	8,115,000	0.22%
Liu Qingchun	The Company	Personal interest and interest of spouse	179,000	0.005%
James Downing	The Company	Personal interest	329,000	0.01%
George Jay Hambro	The Company	Personal interest	129,000	0.003%

Note:

(1) Mr. Wang indirectly holds the entire issued share capital of Winsway International Petroleum & Chemicals and Winsway Resources Holdings and is deemed to be interested in the 208,106,421 Shares and 1,627,043,688 Shares held by each of Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively. In addition, Mr. Wang holds an option to subscribe for 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 to subscribe for 8,230,000 Shares under the Pre-IPO Option Scheme.

(3) Options to subscribe for 10,345,000 Shares and 8,115,000 Shares were held by Ms. Zhu Hongchan and Mr. Apolonius Struijk respectively under the Pre-IPO Option Scheme.

(4) Mr. Yasuhisa Yamamoto holds 400,000 Shares and an option to subscribe for 8,069,000 Shares under the Pre-IPO Option Scheme.

Save as disclosed above, as at 31 December 2011, 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 be 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 Listing 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.

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. No further options may be granted under the Pre-IPO Option Scheme. A summary of the movements of the outstanding share options during the year ended 31 December 2011 were as follows:

Grantee	Options held as at 1 January 2011	Options exercised during the period	Options lapsed/ cancelled during the period	Options held as at 31 December 2011
Directors				
Wang Xingchun	17,334,000	—	—	17,334,000
Zhu Hongchan	10,345,000	—	—	10,345,000
Cui Yong	8,230,000	—	—	8,230,000
Yasuhisa Yamamoto	8,069,000	—	—	8,069,000
Apolonius Struijk	8,115,000	—	—	8,115,000
Others				
Employees	55,852,000	2,745,537	—	53,106,463
Total	**107,945,000**	**2,745,537**	**—**	**105,199,463**

The weighted average closing price of the shares immediately before the dates on which the options were exercised in 2011 is HK$4.17.

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.

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

So far as the Directors are aware, as at 31 December 2011, 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	The Company	Personal interest and interest of controlled corporation	1,852,484,109	49.10%
Winsway Group Holdings	The Company	Interest of controlled corporation	1,835,150,109	48.64%
Winsway Petroleum Holdings	The Company	Interest of controlled corporation	208,106,421	5.52%
Winsway International Petroleum & Chemicals	The Company	Beneficial owner	208,106,421	5.52%
Winsway Resources Holdings	The Company	Beneficial owner	1,627,043,688	43.12%
Peabody Energy	The Company	Beneficial owner	193,363,378	5.12%

Notes:

(1) Mr. Wang indirectly holds the entire issued share capital of Winsway International Petroleum & Chemicals and Winsway Resources Holdings and is deemed to be interested in the 208,106,421 Shares and 1,627,043,688 Shares held by Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively. In addition, Mr. Wang holds an option to subscribe for 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 208,106,421 Shares and 1,627,043,688 Shares held by 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 208,106,421 Shares held by Winsway International Petroleum & Chemicals.

Save as disclosed above, as at 31 December 2011, 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.

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 audit committee consists of four independent non-executive Directors, Ng Yuk Keung (Chairman), George Jay Hambro, Wang Wenfu and James Downing.

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 2011.

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 of 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 year ended 31 December 2011.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the CG Code. Throughout the year ended 31 December 2011, 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 practice of the Company, please refer to the Corporate Governance Report on pages 42 to 48 of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the ordinary course of business are set out in note 38 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, as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

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

As at 31 December 2011, the Company had a total of 3,773,183,893 Shares in issue. The Company repurchased a total of 17,823,000 Shares on the Hong Kong Stock Exchange during the year ended 31 December 2011. Such Shares were cancelled in November 2011, and the total number of Shares in issue was reduced accordingly.

Details of the repurchase are summarised as follows:

Month of repurchase	Total number of Shares repurchased	Repurchase price per Share Highest HK$	Lowest HK$	Aggregate consideration HK$'000
September 2011	13,953,000	1.85	1.48	24,319
October 2011	3,870,000	1.70	1.50	6,234
Total:	**17,823,000**			**30,553**

Except as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2011.

Report of the Directors

The repurchases of Shares were made for the benefit of the Shareholders with a view to enhancing the net asset value per Share and earnings per Share of the Group.

AUDITORS

The Company has appointed KPMG as auditors of the Company for the year ended 31 December 2011. 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 for the year ending 31 December 2012.

SUBSEQUENT EVENTS

On 1 November 2011, the Company announced that it had entered into a joint venture with Marubeni Corporation through a consortium vehicle to acquire the entire issued share capital of Grande Cache Coal Corporation. The joint venture is indirectly held by the Company and Marubeni Corporation, whose effective interests in the consortium vehicle are 60% and 40%, respectively. Smokey River Coalfield, where Grande Cache operates, has long-standing and proven coal producing assets in Western Canada which also has significant potential for future expansion. The Smoky River Coalfield has an operating history dating back to 1969. In its fiscal year ended 31 March 2011, Grande Cache produced 1.4 million tonnes of clean coal and hopes to achieve an annual run rate of 3.5 million tonnes of production by the end of its fiscal year 2013. The acquisition is the first major step towards the vertical integration of the Company's business model. Grande Cache's low-volatility coking coal will provide excellent blending stock coal, which is complementary to the Company's existing product offering. The acquisition of Grande Cache was completed on 1 March 2012.

On behalf of the Board
Wang Xingchun
Chairman

26 March 2012

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 157, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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.

Director's 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 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 2011 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

26 March 2012

Consolidated Income Statement

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Turnover	5	11,610,413	9,271,665
Cost of sales		(9,413,413)	(7,154,115)
Gross profit		2,197,000	2,117,550
Other revenue	6	131,075	25,972
Distribution costs		(354,652)	(471,487)
Administrative expenses		(427,969)	(358,533)
Other operating expenses, net	7	(3,748)	(11,166)
Profit from operating activities		1,541,706	1,302,336
Finance income	8(a)	315,867	65,825
Finance costs	8(a)	(406,275)	(179,928)
Net financial costs		(90,408)	(114,103)
Share of losses of a jointly controlled entity		(28,462)	(8,080)
Profit before taxation	8	1,422,836	1,180,153
Income tax	9	(371,079)	(251,390)
Profit for the year		1,051,757	928,763
Attributable to:			
Equity shareholders of the Company	12	1,051,003	928,826
Non-controlling interests		754	(63)
Profit for the year		1,051,757	928,763
Earnings per share (HK$)	13		
— Basic		0.278	0.352
— Diluted		0.275	0.346

The notes on pages 73 to 157 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 36(b).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Profit for the year		1,051,757	928,763
Other comprehensive income for the year:	14		
Exchange differences arising on translation (net of income tax)		131,244	45,164
Total comprehensive income for the year		1,183,001	973,927
Attributable to:			
Equity shareholders of the Company		1,179,595	971,957
Non-controlling interests		3,406	1,970
Total comprehensive income for the year		1,183,001	973,927

The notes on pages 73 to 157 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Property, plant and equipment, net	15	1,292,504	473,927
Construction in progress	16	335,326	281,879
Lease prepayments	17	361,342	204,784
Intangible assets	18	2,518	237
Interest in a jointly controlled entity	20	359,915	362,956
Other investments in equity securities	21	395,186	89,054
Other non-current assets	22	1,100,908	—
Deferred tax assets	35(b)	77,194	48,262
Total non-current assets		3,924,893	1,461,099
Current assets			
Inventories	23	3,935,871	1,972,557
Trade and other receivables	24	3,807,561	2,450,881
Trading securities	25	3,183	—
Restricted bank deposits	26	1,590,504	344,062
Cash and cash equivalents	27	3,137,752	2,894,421
Total current assets		12,474,871	7,661,921
Current liabilities			
Secured bank and other loans	28	660,925	1,010,109
Trade and other payables	34	4,316,503	1,317,368
Income tax payable	35	171,988	90,708
Total current liabilities		5,149,416	2,418,185
Net current assets		7,325,455	5,243,736
Total assets less current liabilities		11,250,348	6,704,835

The notes on pages 73 to 157 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

at 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Non-current liabilities			
Secured bank and other loans	28	65,376	62,577
Senior notes	29	3,797,772	—
Deferred income	30	114,079	97,389
Total non-current liabilities		3,977,227	159,966
NET ASSETS		7,273,121	6,544,869
CAPITAL AND RESERVES			
Share capital	36(c)	4,992,291	5,014,339
Reserves	36	2,238,644	1,454,489
Total equity attributable to equity shareholders of the Company		7,230,935	6,468,828
Non-controlling interests		42,186	76,041
TOTAL EQUITY		7,273,121	6,544,869

Approved and authorised for issue by the board of directors on 26 March 2012.

WANG XING CHUN)
) Directors
YASUHISA YAMAMOTO)

The notes on pages 73 to 157 form part of these financial statements.

Statement of Financial Position

at 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Property, plant and equipment, net	15	245	29
Interests in subsidiaries	19	6,153,749	423,005
Other non-current assets	22	1,027,839	—
Total non-current assets		7,181,833	423,034
Current assets			
Trade and other receivables	24	65,620	2,602,858
Trading securities	25	3,183	—
Restricted bank deposits	26	—	180,120
Cash and cash equivalents	27	919,364	1,801,298
Total current assets		988,167	4,584,276
Current liabilities			
Trade and other payables	34	95,549	63,802
Income tax payable	35	805	—
Total current liabilities		96,354	63,802
Net current assets		891,813	4,520,474
Total assets less current liabilities		8,073,646	4,943,508
Non-current liabilities			
Senior notes	29	3,797,772	—
Total non-current liabilities		3,797,772	—
NET ASSETS		4,275,874	4,943,508

The notes on pages 73 to 157 form part of these financial statements.

Statement of Financial Position (Continued)

at 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
CAPITAL AND RESERVES	36(a)		
Share capital		**4,992,291**	5,014,339
Reserves		**(716,417)**	(70,831)
TOTAL EQUITY		**4,275,874**	4,943,508

Approved and authorised for issue by the board of directors on 26 March 2012.

WANG XING CHUN	)	
	)	Directors
YASUHISA YAMAMOTO	)	

The notes on pages 73 to 157 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
	Note	Share capital $'000 (Note 36(c))	Statutory reserve $'000 (Note 36(g))	Other reserve $'000 (Note 36(g))	Exchange reserve $'000 (Note 36(g))	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	31	—	—	18,216	—	—	18,216	—	18,216
Equity component of redeemable convertible preferred shares	32	—	—	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	36(b)	—	—	—	—	(243,703)	(243,703)	—	(243,703)
Dividends declared and paid to the holder of redeemable convertible preferred shares	36(b)	—	—	—	—	(43,302)	(43,302)	—	(43,302)
Interests paid to the holders of convertible bonds	36(b)	—	—	—	—	(42,039)	(42,039)	—	(42,039)
Conversion of convertible bonds	31	489,154	—	(18,216)	—	—	470,938	—	470,938
Conversion of redeemable convertible preferred shares	32	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 157 form part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
	Note	Share capital $'000 (Note 36(c))	Statutory reserve $'000 (Note 36(g))	Other reserve $'000 (Note 36(g))	Exchange reserve $'000 (Note 36(g))	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2011		5,014,339	108,744	49,159	51,732	1,244,854	6,468,828	76,041	6,544,869
Contribution from non-controlling interests		–	–	–	–	–	–	9,523	9,523
Exercise of share options granted under share option scheme		8,505	–	(3,901)	–	–	4,604	–	4,604
Purchase of non-controlling interests		–	–	(3,504)	–	–	(3,504)	(46,784)	(50,288)
Dividends declared and paid to the equity shareholder of the Company	36(b)	–	–	–	–	(432,146)	(432,146)	–	(432,146)
Repurchase of own shares		(30,553)	–	–	–	–	(30,553)	–	(30,553)
Equity settled share-based transactions		–	–	44,111	–	–	44,111	–	44,111
Total comprehensive income for the year		–	–	–	128,592	1,051,003	1,179,595	3,406	1,183,001
Appropriation to statutory reserve		–	205,520	–	–	(205,520)	–	–	–
Balance at 31 December 2011		4,992,291	314,264	85,865	180,324	1,658,191	7,230,935	42,186	7,273,121

The notes on pages 73 to 157 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Operating activities			
Profit before taxation		1,422,836	1,180,153
Adjustments for:			
Depreciation		70,294	56,129
Amortisation of lease prepayments		5,723	2,390
Amortisation of intangible assets		85	86
Interest income		(108,193)	(18,768)
Interest expense		382,281	179,928
Fair value change of derivative financial instruments		9,205	—
Net unrealised loss on trading securities		1,251	—
Equity settled share-based transactions		44,111	71,159
Loss on disposal of property, plant and equipment		625	5,031
Share of loss of a jointly controlled entity		28,462	8,080
Foreign exchange gain, net		(207,674)	(47,057)
		1,649,006	1,437,131
Increase in inventories		(1,963,314)	(782,138)
(Increase)/decrease in trade and other receivables		(1,710,293)	24,309
Increase/(decrease) in trade and other payables		2,732,205	(420,635)
Income tax paid		(331,206)	(211,275)
Net cash generated from operating activities		376,398	47,392
Investing activities			
Payment for purchase of property, plant and equipment, construction in progress, lease prepayments and intangible assets		(642,591)	(855,979)
Government grants received		12,049	97,389
Proceeds from sales of property, plant and equipment		27,646	60,406
Deposits made for the acquisition of Grande Cache Coal Corporation		(779,231)	—
Loan to a third party		—	(311,328)
Interest received		86,463	18,768
(Increase)/decrease in restricted bank deposits		(1,246,442)	298,474
Payment for purchase of investments in equity securities		(295,161)	(70,657)
Payment for investment in a jointly controlled entity		(25,421)	(293,442)
Investment in trading securities		(4,434)	—
Net cash used in investing activities		(2,867,122)	(1,056,369)

The notes on pages 73 to 157 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Financing activities			
Proceeds from bank and other loans		7,052,906	7,748,414
Repayment of bank and other loans		(7,423,912)	(8,275,569)
Interest paid		(293,178)	(94,954)
Dividends paid	36(b)	(432,764)	(328,426)
Distribution to equity shareholders of the Company		–	(23,208)
Capital injections from equity shareholders of the Company		–	78,003
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 shares issuing expense		(47,241)	(115,553)
Proceeds from issue of senior notes		3,787,809	—
Proceeds from exercise of share options		4,604	—
Payment for repurchase of shares		(30,553)	—
Proceeds from partial disposal of interest in a subsidiary company		–	5,610
Contribution from non-controlling interests		9,523	23,598
Net cash generated from financing activities		2,627,194	3,568,917
Net increase in cash and cash equivalents		136,470	2,559,940
Cash and cash equivalents at 1 January	27(a)	2,894,421	277,300
Effect of foreign exchange rate changes		106,861	57,181
Cash and cash equivalents at 31 December	27(a)	3,137,752	2,894,421

The notes on pages 73 to 157 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 ("BVI") 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 coal and related products, investment holding in a jointly controlled entity developing in coal mills and rendering of logistics services. The consolidated financial statements of the Company for the year ended 31 December 2011 comprise the Company and its subsidiaries (collectively referred to as the "Group").

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 4 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 consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries 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 are stated at their fair value as explained in the accounting policies set out below:

— Share-based payments (see Note 2(s) (ii));

— Derivative financial instruments (see Note 2(g)); and

— Trading securities (see Note 2(f)).

The preparation of these 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 consolidated financial statements and major sources of estimation uncertainty are discussed in Note 3.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the functional currency of the Company and its major subsidiaries. The Company's functional currency is United Stated dollars ("US$"). 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

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 (n), (o), (p) or (q) 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, if any, 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(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale)).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Jointly controlled entity

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 (k)). 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, investment in the jointly controlled entity is stated at cost less impairment losses (see Note 2(k)).

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(k)).

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. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Note 2(v) (iv).

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(k)).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in equity securities (Continued)

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

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Property, plant and equipment

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

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(k)). 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(x)).

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment (Continued)

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
Railway special assets	8 to 50 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.

(i) 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(k)). Amortisation is recognised in profit or loss on a straight-line basis over the assets' 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

Both the period and method of amortisation are renewed annually.

(j) 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(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(k)). Amortisation is charged to profit or loss on a straight-line basis over the period of the lease term.

(k) 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;

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

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

- 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 investment in the jointly controlled entity 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(k)(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(k)(ii).

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

- If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

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

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;
- 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

- 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.

(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(k)(i) and (ii)).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment (Continued)

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.

(l) 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.

(m) 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(k)), 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.

(n) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Convertible notes (Continued)

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.

(o) 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.

(p) 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(o) and accordingly dividends thereon are recognised on an accruals basis in profit or loss as part of finance costs.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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(u)(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.

(r) 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.

(s) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(ii) Share-based payments (Continued)

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).

(t) 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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(u)(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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) Bill and hold sales of coal slime, middings and shale

When delivery is delayed at the buyer's request but the buyer takes title and accepts billing, revenue is recognised when the customer takes title, provided that:

- it is probable that delivery will be made;
- the item is on hand, identified and ready for delivery to the buyer at the time that the sale is recognised;
- the buyer specifically acknowledges the deferred delivery instructions; and
- the usual payment terms apply.

(iii) Rendering of services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iv) Interest income

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

(v) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) 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 HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into HK$ 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.

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.

(x) 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Related parties

(a) A person, or a close member of that person's family, is related to the group if that person:

(i) has control or joint control over the group;

(ii) has significant influence over the group; or

(iii) is a member of the key management personnel of the group or the group's parent.

(b) An entity is related to the group if any of the following conditions applies:

(i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third entity.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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 judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing 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 judgments 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(ii) Impairment of assets

If circumstances indicate that the carrying amount of an asset may not be recoverable, this asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to the level of sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales revenue and amount of operating costs.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognised in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Management uses judgment in determining the probability of insolvency or significant financial difficulties of the debtor.

An increase or decrease in the above impairment loss would affect the net profit in future years.

(iii) Income taxes

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

(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.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(v) Allowance for diminution in value of inventories

If the costs of inventories fall below their net realisable values, an allowance for diminution in value of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Management bases the estimates on all available information, including the current market prices of the products, and historical operating costs. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual allowance for diminution in value of inventories could be higher than estimated.

4 CHANGES IN ACCOUNTING POLICIES

Revised IFRSs, amendments to IFRSs and new interpretations

The IASB has issued a number of amendments to IFRSs and one new Interpretation 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:

- Revised IAS 24, Related party disclosures

- Improvements to IFRSs (2010)

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

The impacts of the developments are discussed below:

- Revised IAS 24 revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. Revised IAS 24 also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- *Improvements to IFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING

(i) Turnover

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

	2011 $'000	2010 $'000
Cleaned coking coal	5,795,880	4,284,114
Raw coking coal	922,413	789,320
Hard coal	3,776,550	4,155,712
Thermal coal	23,414	—
Coke	522,253	—
Coal slime, middings and shale	531,151	30,234
Rendering of logistics services	12,543	—
Others	26,209	12,285
	11,610,413	9,271,665

The Group's customer base is diversified and includes only one customer (2010: one) with whom transactions have exceeded 10% of the Group revenues.

In 2011 revenue from sales of coking coal to this PRC based customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately $1,207 million (2010: $1,219 million).

Details of concentration of credit risk arising from the largest and the largest five customers are set out in Note 37(a).

5 TURNOVER AND SEGMENT REPORTING (Continued)

(ii) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (processing and trading of coking coal and related products, coal mining and logistics services) 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 three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Processing and trading of coking coal and related products: this segment constructs, manages and operates coal processing plants and generates income from trading of coking coal and related products to external customers.

- 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 20) and commenced its business in this segment during the year ended 31 December 2010.

- Logistics services: this segment constructs, manages and operates logistics park and generates income from rendering of logistics services to external customers within the PRC.

(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 managed directly by the segments.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (Continued)

(ii) Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

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 2011 is set out below.

	Processing and trading of coking coal and related products		Coal mining		Logistics services		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Reportable segment revenue	**11,597,870**	9,271,665	**–**	–	**28,242**	–	**11,626,112**	9,271,665
Reportable segment profit (adjusted EBITDA)	**1,612,602**	1,360,941	**(28,462)**	(8,080)	**5,206**	–	**1,589,346**	1,352,861
Interest income	**107,998**	18,768	**–**	–	**195**	–	**108,193**	18,768
Interest expense	**(380,696)**	(179,928)	**–**	–	**(1,585)**	–	**(382,281)**	(179,928)
Depreciation and amortisation for the year	**(74,651)**	(58,605)	**–**	–	**(1,451)**	–	**(76,102)**	(58,605)
Reportable segment assets	**15,584,648**	8,711,802	**359,915**	362,956	**516,320**	–	**16,460,883**	9,074,758
Additions to non-current segment assets during the year	**1,436,134**	536,418	**25,421**	362,956	**679,330**	–	**2,140,885**	899,374
Reportable segment liabilities	**8,804,142**	2,487,443	**–**	–	**288,826**	–	**9,092,968**	2,487,443

5 TURNOVER AND SEGMENT REPORTING (Continued)

(ii) Segment reporting (Continued)

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

	2011 $'000	2010 $'000
Revenue		
Reportable segment revenue	11,626,112	9,271,665
Elimination of inter-segment transactions	(15,699)	—
Consolidated turnover	11,610,413	9,271,665
Profit		
Reportable segment profit	1,589,346	1,352,861
Depreciation and amortisation	(76,102)	(58,605)
Net finance costs	(90,408)	(114,103)
Consolidated profit before taxation	1,422,836	1,180,153
Assets		
Reportable segment assets	16,460,883	9,074,758
Deferred tax assets	77,194	48,262
Elimination of inter-segment receivables	(138,313)	—
Consolidated total assets	16,399,764	9,123,020
Liabilities		
Reportable segment liabilities	9,092,968	2,487,443
Current income tax liabilities	171,988	90,708
Elimination of inter-segment payables	(138,313)	—
Consolidated total liabilities	9,126,643	2,578,151

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 TURNOVER AND SEGMENT REPORTING (Continued)

(ii) Segment reporting (Continued)

(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 assets, 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 the location of operations, in the case of interest in a jointly controlled entity.

	Revenues from external customers		Specified non-current assets	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
The PRC (including Hong Kong and Macau)	**10,277,203**	9,165,694	**2,456,771**	1,045,097
Mongolia	**11,758**	3,208	**359,915**	363,307
Other countries	**1,321,452**	102,763	**1,031,013**	4,433
	11,610,413	9,271,665	**3,847,699**	1,412,837

6 OTHER REVENUE

		2011	2010
		$'000	$'000
Revenue from trading arrangement and related services	(i)	**54,138**	—
Government grants		**48,201**	24,467
Compensation from a coking coal supplier	(ii)	**28,736**	—
Others		**—**	1,505
		131,075	25,972

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 OTHER REVENUE (Continued)

(i) During the year ended 31 December 2011, the Group was engaged in the provision of trading arrangement and related services (including contract negotiation and related documents handling and provision of upfront payment to iron ore supplier) to third party companies in the PRC in relation to their purchases of iron ore sourced from a Mongolian iron ore mine. Accordingly, the Group has earned an income, net of associated costs incurred, of HK$54,138,000.

(ii) During the year ended 31 December 2011, the Group has received a compensation, net of associated costs incurred by the Group, of HK$28,736,000, from a coking coal supplier in relation to its cancellation of a committed sale of hard coal of 61,000 tonnes to the Group.

7 OTHER OPERATING EXPENSES, NET

	2011 **$'000**	2010 $'000
Loss on disposal of property, plant and equipment	**625**	5,031
Net unrealised loss on trading securities	**1,251**	—
Others	**1,872**	6,135
	3,748	11,166

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2011 $'000	2010 $'000
Interest income	(108,193)	(18,768)
Foreign exchange gain, net*	(207,674)	(47,057)
Finance income	(315,867)	(65,825)
Interest on secured bank and other loans wholly repayable within five years	81,334	37,661
Interest on discounted bills	51,895	41,642
Interest on liability component of convertible bonds	—	49,942
Interest on liability component of redeemable convertible preferred shares	—	50,683
Interest on Senior Notes (see Note 29)	253,477	—
Less: interest expense capitalised into construction in progress	(4,425)	—
Total interest expense	382,281	179,928
Bank charges	14,789	—
Fair value change of derivative financial instruments	9,205	—
Finance costs	406,275	179,928
Net finance costs	90,408	114,103

* During the year ended 31 December 2011, foreign exchange gain, net mainly represents foreign exchange gain arising from the appreciation of RMB deposits owned by the subsidiaries of the Group outside of the PRC.

8 PROFIT BEFORE TAXATION (Continued)

(b) Staff costs

	2011 $'000	2010 $'000
Salaries, wages, bonus and other benefits	230,807	139,452
Contributions to defined contribution retirement plan	9,276	3,743
Share-based payment expenses	44,111	71,159
	284,194	214,354

Staff costs included directors' remuneration (see Note 10).

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.

(c) Other items

	2011 $'000	2010 $'000
Amortisation		
— leased assets	5,723	2,390
— intangible assets	85	86
Depreciation	70,294	56,129
Operating lease charges, mainly relating to buildings	31,277	30,768
Auditors' remuneration		
— audit services	9,002	3,800
— tax services	450	—
Listing expenses	—	32,286
Cost of inventories#	9,413,413	7,154,115

Cost of inventories includes $52,477,000 (2010: $14,050,294) and $39,117,000 (2010: $35,619,953) for the year ended 31 December 2011 relating to staff costs and depreciation which amount is also included in the respective total amount disclosed separately above or in Note 8(b) for each type of these expenses.

9 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011 $'000	2010 $'000
Current tax — Hong Kong Profits Tax		
Provision for the year	805	—
Current tax — Outside of Hong Kong		
Provision for the year	397,322	263,971
Deferred tax		
Origination and reversal of temporary differences	(27,048)	(12,581)
	371,079	251,390

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

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

The provision for PRC current income tax is based on a statutory rate of 25% (2010: 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 jurisdictions.

9 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

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

	2011 $'000	2010 $'000
Profit before taxation	**1,422,836**	1,180,153
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**328,911**	226,014
Tax effect of non-deductible expenses	**49,195**	945
Tax effect of deferred tax assets on unrealised profits	**(16,411)**	12,705
Tax effect of deferred tax assets of previous years' tax losses recognised in current year	**(6,748)**	—
Tax effect of unused tax losses not recognised	**16,132**	11,726
Actual tax expense	**371,079**	251,390

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

10 DIRECTORS' REMUNERATION

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

	2011			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Equity settled share-based payments $'000	Total $'000
Executive directors				
Wang Xingchun	–	10,000	7,083	17,083
Cui Yong	–	2,861	3,363	6,224
Zhu Hongchan	–	4,970	4,228	9,198
Yasuhisa Yamamoto	–	4,865	3,298	8,163
Apolonius Struijk	–	4,865	3,316	8,181
Non-executive directors				
Cui Guiyong (resigned on 16 January 2012)	–	–	–	–
Liu Qingchun	–	–	–	–
Lu Chuan	–	–	–	–
Delbert Lee Lobb, Jr. (appointed on 16 January 2012)	–	–	–	–
Independent non-executive directors				
James Downing	1,557	–	–	1,557
Ng Yuk Keung	1,557	–	–	1,557
Jay Hambro	1,557	–	–	1,557
Wang Wenfu	1,557	–	–	1,557
Total	6,228	27,561	21,288	55,077

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

10 DIRECTORS' REMUNERATION (Continued)

	2010			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2010: five) are directors whose emoluments are disclosed in Note 10. During the year ended 31 December 2011, the aggregate of the emoluments in respect of the other one individual was as follow:

	2011 $'000	2010 $'000
Salaries and other emoluments	4,970	—
Share-based payments	3,297	—
	8,267	—

During the year ended 31 December 2011, the emoluments of the one individual with the highest emoluments were within the following bands:

	2011 Number of individuals	2010 Number of individuals
$8,000,000 to $8,500,000	1	—

12 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of $246,598,000 (2010: profit of $16,195,376) 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 36(b).

13 EARNINGS 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 $1,051,003,000 (2010: $872,734,000) and the weighted average of 3,785,420,000 ordinary shares (2010: 2,480,152,375 shares) in issue during the year.

13 EARNINGS PER SHARE (Continued)

(a) Basic earnings per share (Continued)

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 were treated as anti-dilutive in the year ended 31 December 2010. As a result, the calculation of diluted earnings per share did 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)

	2011 $'000	2010 $'000
Profit attributable to equity shareholders of the Company	**1,051,003**	928,826
Profit attributable to the holder of redeemable convertible preferred shares	**—**	(56,092)
Profit attributable to ordinary equity shareholders of the Company (basic)	**1,051,003**	872,734

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

	2011 '000	2010 '000
Issued ordinary shares at 1 January	**3,788,261**	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
Effect of exercise of share options	**1,991**	—
Effect of repurchase and cancellation of issued shares	**(4,832)**	—
Weighted average number of ordinary shares (basic) as at 31 December	**3,785,420**	2,480,152

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2011 is based on the profit attributable to ordinary equity shareholders of the Company of $1,051,003,000 (2010: $922,676,000) and the weighted average of 3,823,852,000 ordinary shares (2010: 2,665,520,781 shares) in issue during the year, calculated as follows:

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

	2011 $'000	2010 $'000
Profit attributable to equity shareholders of the Company	1,051,003	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)	1,051,003	922,676

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

	2011 '000	2010 '000
Weighted average number of ordinary shares as at 31 December	3,785,420	2,480,152
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (Note 33)	38,432	15,390
Effect of conversion of convertible bonds	–	169,979
Weighted average number of ordinary shares (diluted) as at 31 December	3,823,852	2,665,521

14 OTHER COMPREHENSIVE INCOME

Other comprehensive income does not have any tax effect for the year ended 31 December 2011 (2010: Nil).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 PROPERTY, PLANT AND EQUIPMENT, NET

(a) The Group

	Buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Office and other equipment $'000	Railway special assets $'000	Total $'000
Cost:						
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 16)	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
At 1 January 2011	299,119	138,002	69,072	32,468	–	538,661
Additions	–	24,646	15,729	14,906	4,241	59,522
Transferred from construction in progress (Note 16)	312,043	214,232	–	6,671	259,003	791,949
Reclassification	3,672	14,592	(22,071)	3,807	–	–
Disposals	(98)	(1,386)	(1,764)	(183)	–	(3,431)
Exchange adjustments	21,000	12,488	2,535	1,188	6,249	43,460
At 31 December 2011	**635,736**	**402,574**	**63,501**	**58,857**	**269,493**	**1,430,161**
Accumulated depreciation:						
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
At 1 January 2011	20,816	17,870	16,770	9,278	–	64,734
Charge for the year	18,738	27,908	13,061	10,230	357	70,294
Reclassification	408	4,303	(5,296)	585	–	–
Written back on disposal	–	(655)	(988)	(87)	–	(1,730)
Exchange adjustments	1,035	1,574	1,117	624	9	4,359
At 31 December 2011	**40,997**	**51,000**	**24,664**	**20,630**	**366**	**137,657**
Net book value:						
At 31 December 2011	**594,739**	**351,574**	**38,837**	**38,227**	**269,127**	**1,292,504**
At 31 December 2010	278,303	120,132	52,302	23,190	–	473,927

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

(b) The Company

	Motor vehicles $'000	Office and other equipment $'000	Total $'000
Cost:			
At 1 January 2010	—	—	—
Additions	—	35	35
At 31 December 2010	—	35	35
At 1 January 2011	—	35	35
Additions	279	—	279
At 31 December 2011	**279**	**35**	**314**
Accumulated depreciation:			
At 1 January 2010	—	—	—
Charge for the year	—	6	6
At 31 December 2010	—	6	6
At 1 January 2011	—	6	6
Charge for the year	56	7	63
At 31 December 2011	**56**	**13**	**69**
Net book value:			
At 31 December 2011	**223**	**22**	**245**
At 31 December 2010	—	29	29

15 PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

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

	The Group	
	2011	2010
	$'000	$'000
The PRC (including Hong Kong and Macau)	**1,285,763**	469,143
Mongolia	**3,917**	351
Others	**2,824**	4,433
Aggregate net book value	**1,292,504**	473,927

	The Company	
	2011	2010
	$'000	$'000
The PRC (including Hong Kong and Macau)	**245**	29

As at 31 December 2010, the Group's motor vehicles with a carrying amount of $3,579,887 were pledged as collateral for the Group's borrowings. Such pledge was released during the year ended 31 December 2011.

As at 31 December 2011, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to $193,656,000 (2010: $42,210,246). 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 CONSTRUCTION IN PROGRESS

	The Group	
	2011	2010
	$'000	$'000
At 1 January	**281,879**	41,204
Additions	**831,844**	327,157
Transferred to property, plant and equipment (Note 15)	**(791,949)**	(95,208)
Exchange adjustments	**13,552**	8,726
At 31 December	**335,326**	281,879

17 LEASE PREPAYMENTS

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

	The Group	
	2011	2010
	$'000	$'000
Cost:		
At 1 January	**207,352**	9,042
Additions	**149,706**	192,704
Exchange adjustments	**13,164**	5,606
At 31 December	**370,222**	207,352
Accumulated amortisation:		
At 1 January	**2,568**	220
Charge for the year	**5,723**	2,390
Exchange adjustments	**589**	(42)
At 31 December	**8,880**	2,568
Net book value:		
At 31 December	**361,342**	204,784

Notes to the Financial Statements (Continued)
(Expressed in Hong Kong dollars unless otherwise indicated)

17 LEASE PREPAYMENTS (Continued)

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 2011, land use rights with a total carrying amount of $83,855,000 (2010:$55,245,106) have been pledged as collateral for the Group's borrowings.

18 INTANGIBLE ASSETS

	The Group	
	2011	2010
	$'000	$'000
Cost:		
At 1 January	**1,648**	1,347
Addition	**2,304**	240
Exchange adjustments	**64**	61
At 31 December	**4,016**	1,648
Accumulated amortisation:		
At 1 January	**1,411**	1,272
Charge for the year	**85**	86
Exchange adjustments	**2**	53
At 31 December	**1,498**	1,411
Net book value:		
At 31 December	**2,518**	237

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)

19 INTERESTS IN SUBSIDIARIES

	The Company	
	2011	2010
	$'000	$'000
Unlisted shares, at cost	**422,243**	423,005
Amounts due from subsidiaries*	**5,731,506**	—
	6,153,749	423,005

* Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The following list contains only the particulars of major 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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTERESTS 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
Winsway Resources Holdings Private Limited ("Winsway Singapore")	31 December 2009 The Republic of Singapore ("Singapore")	Singapore dollars ("SGD") 1,000,000	100%	–	Trading of coal
Winsway Coking Coal Logistics Limited ("Winsway Logistics")	22 December 2009 Hong Kong	US$100,000	100%	–	Investment holding
Winsway Mongolian Transportation Pte. Ltd. ("Mongolian Transportation")	10 May 2010 Singapore	SGD10	90%	–	Investment holding
Beijing Winsway Investment Management Co., Ltd. ("Beijing Winsway")*	6 November 1995 The People's Republic of China ("PRC")	US$113,500,000	–	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 coal
Urad Zhongqi Yiteng Mining Co., Ltd. ("Yiteng")**	7 September 2005 PRC	RMB210,000,000	–	100%	Processing and trading of coal
Royce Petrochemicals Limited ("Royce Petrochemicals")	28 October 2005 BVI	US$3,900,001	–	100%	Investment holding

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTERESTS 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		Principal activities
			Direct	Indirect	
Inner Mongolia Haotong Energy Joint Stock Co., Ltd. ("Inner Mongolia Haotong")***	18 November 2005 PRC	RMB350,000,000	–	100%	Trading of coal
Erlianhaote Haotong Energy Co., Ltd. ("Erlianhaote Haotong")#	18 January 2007 PRC	RMB95,370,000	–	95%	Trading of coal and rendering of logistics service
Ejina Qi Haotong Energy Co., Ltd. ("Ejinaqi Haotong")**	19 May 2008 PRC	RMB80,000,000	–	100%	Processing and trading of coal
East Wuzhumuqin Qi Haotong Energy Co., Ltd. ("East Wuzhumuqin Qi Haotong")**	29 July 2008 PRC	RMB10,000,000	–	100%	Trading of coal
Baotou-city Haotong Energy Co., Ltd. ("Baotou Haotong")**	18 September 2008 PRC	RMB10,000,000	–	100%	Trading of coal
Nantong Haotong Energy Co., Ltd. ("Nantong Haotong")**	24 February 2009 PRC	RMB120,000,000	–	100%	Trading of coal
Yingkou Haotong Mining Co., Ltd. ("Yingkou Haotong")**	16 November 2009 PRC	RMB70,000,000	–	100%	Trading of coal
Manzhouli Haotong Energy Co., Ltd. ("Manzhouli Haotong")****	23 December 2009 PRC	RMB80,000,000	–	100%	Trading of coal

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTERESTS 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
Suifenhe Winsway Resources Co., Ltd. ("Suifenhe Winsway")**	24 December 2009 PRC	RMB10,000,000	–	100%	Trading of coal
Baotou Mandula Winsway Energy Co., Ltd. ("Baotou Mandula")**	21 January 2010 PRC	RMB10,000,000	–	100%	Trading of coal
Ulanqab Haotong Energy Co., Ltd. ("Ulanqab Haotong")**	2 March 2010 PRC	RMB70,000,000	–	100%	Trading of coal
Longkou Winsway Energy Co., Ltd. ("Longkou Winsway")****	27 April 2010 PRC	RMB162,000,000	–	100%	Trading of coal
Ejina Qi Ruyi Winsway Energy Co., Ltd. ("Ejina Qi Winsway")**	30 June 2010 PRC	RMB15,100,000	–	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 coal

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 INTERESTS 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		Principal activities
			Direct	Indirect	
Zhoushan Winsway Energy Co., Ltd. ("Zhoushan Winsway")**	15 November 2010 PRC	RMB2,000,000	–	100%	Processing and trading of coal
Eternal International Logistics Limited ("Eternal")	27 October 2010 Hong Kong	HK$1	100%	–	Investment holding
Million Super Star Limited ("Million Super Star")	18 October 2010 Hong Kong	HK$1	100%	–	Investment holding
Winsway Coking Coal Holdings S. à. r. l. ("Winsway Luxemburg")	27 September 2011 Luxemburg	Canadian dollars ("CA$") 20,000	–	100%	Investment holding
Lush Power Management Limited ("Lush Power")	9 July 2010 BVI	US$1	–	100%	Investment holding
0925165 B.C. Ltd.	15 November 2011 Canada	CA$6,000	–	100%	Investment holding
Erlian Winsway Mining Co., Ltd.**	14 January 2011 PRC	RMB2,000,000	–	97%	Processing and trading of coal
Nantong Winsway Coking Coal Co., Ltd ("Nantong Winsway")*	9 March 2011 PRC	US$4,800,000	–	100%	Processing and trading of coal
Hunchun Winsway Logistics Co., Ltd. ("Hunchun Winsway")**	20 April 2011 PRC	RMB22,000,000	–	100%	Logistics service
East-Asia (Hunchun) Winsway Coal Logistics Co., Ltd. ("East-Asia Winsway")**	6 July 2011 PRC	RMB10,000,000	–	51%	Logistics service

* Wholly foreign owned enterprises established under the PRC law.
** Limited liability companies established under the PRC law.
*** A joint stock company established under the PRC law.
**** Sino-foreign equity joint ventures established under the PRC law.
# A Sino-foreign cooperative joint venture established under the PRC law.

20 INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2011	2010
	$'000	$'000
Share of net assets	**316,798**	319,767
Goodwill	**43,117**	43,189
	359,915	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 of 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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

20 INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

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

	2011 $'000	2010 $'000
Non-current assets	320,932	352,543
Current assets	34,242	5,852
Non-current liabilities	(37,905)	(37,975)
Current liabilities	(471)	(653)
Net assets	316,798	319,767
Income	30,729	164
Expenses	(59,191)	(8,244)
Loss for the year	(28,462)	(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% (2010: 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.

21 OTHER INVESTMENTS IN EQUITY SECURITIES

	The Group	
	2011 $'000	2010 $'000
Unlisted, equity securities, at cost	395,186	89,054

22 OTHER NON-CURRENT ASSETS

		The Group		The Company	
		2011	2010	**2011**	2010
		$'000	$'000	**$'000**	$'000
Loan to a third party	(i)	**248,608**	—	**248,608**	—
Deposit for acquisition of Grande Cache Coal Corporation	(ii)	**779,231**	—	**779,231**	—
Advance payments for equipment purchase and construction in progress		**73,069**	—	**—**	—
		1,100,908	—	**1,027,839**	—

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

The Group and Moveday entered into agreements that Moveday purchases coking coal from Mongolian coking coal suppliers at mine mouth and sell such coking coal entirely to the Group at the PRC border at a price on a delivered at place (DAP) basis. Accordingly, during the year ended 31 December 2011, the Group has purchased coking coal of HK$1,533 million (2010: HK$558 million) from Moveday. In addition to the above, the Group has incurred HK$495 million (2010: HK$566 million) for coking coal transportation service provided by Moveday during the year ended 31 December 2011.

As at 31 December 2011, as included in prepayments to suppliers (Note 24), the Group made a prepayment of HK$127 million (2010: HK$70 million) to Moveday in respect of its purchase of coking coal from the coking coal supplier for the Group.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 OTHER NON-CURRENT ASSETS (Continued)

(ii) On 31 October 2011, the Company entered into the Arrangement Execution Agreement with Marubeni Corporation to set up a joint venture (the "Offeror Company") in which the Company holds 60% equity interest through its subsidiaries and Marubeni Corporation holds the remaining 40% equity interest through its subsidiaries. On the same date, the Offeror Company entered into the Arrangement Agreement with Grande Cache Coal Corporation ("GCC") to conditionally acquire the entire issued share capital of GCC for Canadian dollars ("CA$") 10 per share (the "Acquisition"). Pursuant to the Arrangement Agreement and other related agreements, the Company made a deposit of CA$ 100 million to a law firm to secure the performance of the Company's obligations under the Arrangement Agreement. For details of the Acquisition, please refer to Note 42.

23 INVENTORIES

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

	The Group	
	2011	2010
	$'000	$'000
Raw coking coal	**1,673,139**	951,015
Cleaned coking coal	**1,187,357**	558,340
Hard coal	**942,432**	314,461
Thermal coal	**94,929**	—
Coal slime, middings and shale	**24,512**	145,445
Others	**28,267**	3,296
	3,950,636	1,972,557
Less: provision	**(14,765)**	—
	3,935,871	1,972,557

At 31 December 2011, coking coal of the Group with an aggregate carrying value of $nil (2010: $182,707,200) were pledged as collateral for the Group's borrowings (Note 28) and banking facilities in respect of issuance of letters of credit by the Group.

23 INVENTORIES (Continued)

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

	The Group	
	2011	2010
	$'000	$'000
Carrying amount of inventories sold	**9,398,990**	7,154,115
Write down of inventory	**14,423**	—
	9,413,413	7,154,115

24 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Trade receivables	**1,266,483**	800,904	**—**	—
Bills receivable	**772,877**	283,670	**—**	—
Receivables from import agents	**1,017,350**	380,264	**—**	—
Amounts due from related parties	**740**	1,222	**—**	—
Amounts due from subsidiaries	**—**	—	**—**	2,280,751
Prepayments to suppliers (Note 22(i))	**400,019**	432,561	**—**	—
Loan to a third party company (Note 22(i))	**62,152**	311,328	**62,152**	311,328
Deposits and other receivables	**287,940**	240,932	**3,468**	10,779
	3,807,561	2,450,881	**65,620**	2,602,858

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 37(a).

At 31 December 2011, trade and bills receivables of the Group of $569,459,000 (2010: $575,549,644) have been pledged as collateral for the Group's borrowings (Note 28).

At 31 December 2011, bills receivable of the Group of $2,312,236,000 (2010: $791,301,472) were derecognised from the 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)

24 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis

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

	The Group	
	2011	2010
	$'000	$'000
Current	**3,004,698**	1,464,838
Less than 3 months past due	**37,877**	—
More than 3 months but less than 12 months past due	**14,135**	—
	3,056,710	1,464,838

(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 2011.

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

25 TRADING SECURITIES

	The Group and the Company	
	2011	2010
	$'000	$'000
Listed equity securities at fair value in Hong Kong	**3,183**	—

26 RESTRICTED BANK DEPOSITS

The Group and the Company pledged bank deposits of maturity more than three months of \$1,590,504,000 and \$nil respectively (2010: \$344,061,889 and \$180,119,777 respectively) as at 31 December 2011 as collateral for the Group's borrowings (Note 28) and banking facilities in respect of issuance of bills (Note 34) and letters of credit by the Group.

27 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**3,137,752**	2,894,421	**919,364**	1,801,298

At 31 December 2011, cash and cash equivalents of $1,056,555,000 (2010: $325,620,027) 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	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
US$	**18,121**	1,130	**–**	–
RMB	**2,003,030**	2,444,777	**872,783**	1,703,578
Euro	**19**	–	**–**	–
MOP$	**227**	–	**68**	–
HK$	**18,951**	–	**18,497**	–
SGD	**1,702**	–	**–**	–

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

28 SECURED BANK AND OTHER LOANS

(a) The secured bank and other loans comprise:

	The Group	
	2011	2010
	$'000	$'000
Short-term loans	**660,925**	1,010,109
Long-term loans	**65,376**	62,577
	726,301	1,072,686

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

	The Group	
	2011	2010
Short-term loans	**1.25%–6.65%**	1.42%–7.23%
Long-term loans	**8.28%**	7.46%

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

	2011	2010
	$'000	$'000
Within 1 year	**660,925**	1,010,109
After 2 years but within 5 years	**65,376**	62,577
	726,301	1,072,686

At 31 December 2011, bank and other loans amounting to $88,456,000 (2010: $435,394,838) were secured by bank deposits placed in banks with an aggregate carrying value of $91,887,000 (2010: $261,616,015).

At 31 December 2011, bank and other loans amounting to $547,799,000 (2010: $533,567,004) were secured by trade and bills receivables with an aggregate carrying value of $569,459,000 (2010: $575,549,644).

28 SECURED BANK AND OTHER LOANS (Continued)

At 31 December 2011, bank and other loans amounting to $90,046,000 (2010: $23,614,000) were secured by land use right with an aggregate carrying value of $83,855,000 (2010: $55,245,106).

Further details of the Group's management of liquidity risk are set out in Note 37(b).

29 SENIOR NOTES

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Senior notes due in 2016	**3,797,772**	—	**3,797,772**	—

On 8 April 2011, the Company issued senior notes in the aggregate principal amount of US$500,000,000 ("Senior Notes") and listed on the Singapore Exchange Securities Trading Limited. The Senior Notes bear interest at 8.50% per annum, payable semi-annually in arrears, and will be due in 2016.

The Senior Notes are guaranteed by the Group's existing subsidiaries other than those established/incorporated under the laws of the PRC, Winsway Coking Coal (Macao Commercial Offshore) Limited, Winsway Coking Coal Holdings S.A.R.L., 092165 B.C. Ltd. and 1629835 Alberta Ltd. as stated in the Company's offering memorandum on 1 April 2011 (the "Subsidiary Guarantor") (Note 40). In addition, the Company has agreed, for the benefit of the holders of the Senior Notes, to pledge the capital stock of each Subsidiary Guarantor in order to secure the obligations of the Company.

The Senior Notes are carried at amortised cost. The amount of Senior Notes that is expected to be settled within one year is nil.

30 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)

31 CONVERTIBLE BONDS

The Company issued convertible bonds which were 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.

31 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.

32 REDEEMABLE CONVERTIBLE PREFERRED SHARES

The Company issued redeemable convertible preferred shares which were 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	—

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

32 REDEEMABLE CONVERTIBLE PREFERRED SHARES (Continued)

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").

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 8(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)

33 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 29 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:

	2011		2010	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at 1 January	**$1.677**	**107,945,000**	—	—
Granted during the year	**—**	**—**	$1.677	107,945,000
Exercised during the year	**$1.677**	**2,745,537**	—	—
Outstanding at 31 December	**$1.677**	**105,199,463**	$1.677	107,945,000
Exercisable at 31 December	**$1.677**	**35,035,213**	—	—

The options outstanding at 31 December 2011 had an exercise price of $1.677 (2010: $1.677) per share and a weighted average remaining contractual life of 3 years (2010: 4 years).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

33 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 \$44,111,000 during year ended 31 December 2011 (2010: \$71,159,307) was recognised in profit or loss.

34 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Trade and bills payables	**2,415,681**	748,313	**—**	—
Payables to import agents	**1,042,578**	362,258	**—**	—
Amounts due to subsidiaries	**—**	—	**993**	—
Prepayments from customers	**378,983**	33,167	**—**	—
Payables in connection with construction projects	**202,980**	12,770	**—**	—
Payables for purchase of equipment	**54,631**	12,817	**—**	—
Derivative financial instruments*	**9,187**	—	**—**	—
Others	**212,463**	148,043	**94,556**	63,802
	4,316,503	1,317,368	**95,549**	63,802

* Derivative financial instruments represent fair value of foreign exchange forward contracts as at 31 December 2011.

At 31 December 2011, bills payable amounting to $2,062,494,000 (2010: $222,423,806) was secured by deposits placed in banks with an aggregate carrying value of $1,340,065,000 (2010: $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	
	2011	2010
	$'000	$'000
Due within 1 month or on demand	**1,275,509**	888,147
Due after 1 month but within 3 months	**841,620**	—
Due after 3 months but within 6 months	**903,597**	222,424
Due after 6 months	**437,533**	—
	3,458,259	1,110,571

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

35 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
At 1 January	**90,708**	35,709	**–**	–
Provision for the year (Note 9(a))	**398,127**	263,971	**805**	–
Income tax paid	**(331,206)**	(211,275)	**–**	–
Exchange adjustments	**14,359**	2,303	**–**	–
At 31 December	**171,988**	90,708	**805**	–

(b) Deferred tax assets recognised:

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

	The Group				
	Inventory provision	**Tax losses**	**Government grants**	**Unrealised profits on intra-group transactions**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January 2010	–	–	19,509	14,825	34,334
(Charged)/credited to income statement	–	–	(124)	12,705	12,581
Exchange adjustments	–	–	414	933	1,347
At 31 December 2010	–	–	19,799	28,463	48,262
At 1 January 2011	–	–	19,799	28,463	48,262
Credited to income statement	3,606	3,608	3,423	16,411	27,048
Exchange adjustments	86	85	1,713	–	1,884
At 31 December 2011	**3,692**	**3,693**	**24,935**	**44,874**	**77,194**

35 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(t), the Group did not recognise deferred tax assets in respect of cumulative tax losses of $101,334,000 (2010: $47,844,877) at 31 December 2011 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 in the PRC established entities of approximately HK$11,415,000 and HK$53,478,000 will expire in 2015 and 2016 respectively under current PRC tax legislation. The tax losses in Hong Kong incorporated companies of approximately HK$36,441,000 can be utilised to offset any future taxable profits under current Hong Kong 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 $161,402,000 (2010: $83,067,914) as at 31 December 2011.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

36 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 captial $'000	Other Reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000
Balance at 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	36(b)	—	—	—	(243,703)	(243,703)
Dividends declared and paid to the holder of redeemable convertible preferred shares	36(b)	—	—	—	(43,302)	(43,302)
Interests declared and paid to the holders of convertible bonds	36(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 transations		—	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
Balance at 1 January 2011		**5,014,339**	**71,159**	**(2,905)**	**(139,085)**	**4,943,508**
Changes in equity for 2011:						
Dividends declared and paid to the equity shareholder of the Company	36(b)	**—**	**—**	**—**	**(432,146)**	**(432,146)**
Exercise of share options granted under share option scheme		**8,505**	**(3,901)**	**—**	**—**	**4,604**
Repurchase of own shares -amount paid		**(30,553)**	**—**	**—**	**—**	**(30,553)**
Equity settled share-based transactions		**—**	**44,111**	**—**	**—**	**44,111**
Total comprehensive income for the year		**—**	**—**	**(7,052)**	**(246,598)**	**(253,650)**
Balance at 31 December 2011		**4,992,291**	**111,369**	**(9,957)**	**(817,829)**	**4,275,874**

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

36 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

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

	2011 $'000	2010 $'000
Interim dividend declared and paid of 5.3 cents per ordinary share (2010: 12 cents)	**200,923**	243,703
Final dividend proposed after the end of the reporting period of 1.6 cents per ordinary share (2010: 6.1 cents)	**60,371**	231,223

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) on the RCPS and interest of RMB42,614,571 (equivalent to HK$48,783,131) on the Convertible Bonds were declared on 16 September 2010, out of these amounts, HK$13,718,852 were charged to the profit or loss as part of finance costs in relation to the liability portion. The RCPS and Convertible Bonds were transferred into ordinary shares on 24 September 2010. No dividend on RCPS and Convertible Bonds were declared during the year ended 31 December 2011.

(c) Share capital

	2011 No. of shares '000	2010 No. of shares '000
Authorised:		
Ordinary shares	**4,000,000**	4,000,000

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

36 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital (Continued)

	2011 No. of shares '000	2011 $'000	2010 No. of shares '000	2010 $'000
Ordinary shares, issued and fully paid:				
At 1 January	3,788,261	5,014,339	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
Exercise of share options granted under share option scheme	2,746	8,505	—	—
Repurchase and cancellation of own shares	(17,823)	(30,553)	—	—
At 31 December	3,773,184	4,992,291	3,788,261	5,014,339

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.

36 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital (Continued)

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 31);
- The Company's redeemable convertible preferred shares were converted into the Company's ordinary shares (see Note 32);
- 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 20); 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.

(d) Repurchase of own shares

During the year, the company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share $	Lowest price paid per share $	Aggregate price paid $ 000
September 2011	13,953,000	1.85	1.48	24,319
October 2011	3,870,000	1.70	1.50	6,234
				30,553

The repurchased shares were cancelled and accordingly the issued share capital of the company was reduced by the amount paid.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

36 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Share issued under share option scheme

During the year, options were exercised to subscribe for 2,745,537 ordinary shares in the company at a consideration of $4,604,000 all of which was credited to share capital. $3,901,000 has been transferred from the other reserve to the share capital account in accordance with policy set out in Note 2(s)(ii).

(f) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price $	2011 Number	2010 Number
1 April 2011 to 29 June 2015	1.677	**105,199,463**	107,945,000

Each option entitles the holder to subscribe for one ordinary share in the company. Further details of these options are set out in Note 33 to the financial statements.

(g) 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 net loss on purchase of non-controlling 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(s) (ii).

36 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(g) Nature and purpose of reserves (Continued)

(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 year ended 31 December 2011, amounts in retained earnings of $205,520,000 (2010: $85,456,059) 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(w).

(iv) Distributability of reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $4,275,874,000 (2010: $4,943,508,000). After the end of the reporting period the directors proposed a final dividend of 1.6 cents (2010: 6.1 cents) per ordinary share, amounting to $60,371,000 (2010: $231,084,000) (Note 36(b)). This dividend has not been recognised as a liability at the end of the reporting period.

(h) 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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

36 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(h) Capital management (Continued)

The Group monitors capital using a gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2011 was 55.7% (2010: 28.3%).

37 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 cash at bank, 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.

Substantially all of the Group's cash at bank are deposited in the reputable banks which management assessed the credit risk to be insignificant.

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, 2% (2010: 1%) and 11% (2010: 16%) 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 coal and related products segment.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Except for the financial guarantees, given by the Group as set out in Note 40, 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 40.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 24.

(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

	2011 Contractual undiscounted cash outflow					2010 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 Dec $'000	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 Dec $'000
Secured bank and other loans	674,849	–	80,307	755,156	726,301	1,020,920	–	80,300	1,101,220	1,072,686
Senior Notes	330,183	330,183	4,709,956	5,370,322	3,797,772	–	–	–	–	–
Trade and other payables (excluding prepayments from customers)	3,937,520	–	–	3,937,520	3,937,520	1,284,201	–	–	1,284,201	1,284,201
	4,942,552	330,183	4,790,263	10,062,998	8,461,593	2,305,121	–	80,300	2,385,421	2,356,887

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The Company

	2011 Contractual undiscounted cash outflow					2010 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 Dec $'000	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 Dec $'000
Senior Notes	330,183	330,183	4,709,956	5,370,322	3,797,772	–	–	–	–	–
Trade and other payables (excluding prepayments from customers)	95,549	–	–	95,549	95,549	63,802	–	–	63,802	63,802
	425,732	330,183	4,709,956	5,465,871	3,893,321	63,802	–	–	63,802	63,802

(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)

37 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$)					
	2011				2010	
	US$	RMB	SGD	HK$	US$	RMB
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	18,121	2,003,030	1,702	18,951	1,130	2,444,777
Trade and other receivables	214	749,134	562	631	7,700	–
Trade and other payables	(318,376)	–	(29)	(385)	(126,067)	–
Bills payable	–	–	–	–	(109,175)	–
Bank loans	(69,535)	–	–	–	(177,249)	–
Net exposure arising from recognised assets and liabilities	(369,576)	2,752,164	2,235	19,197	(403,661)	2,444,777

The Company

	Exposure to foreign currency (expressed in HK$)			
	2011			2010
	MOP$	HK$	RMB	RMB
	$'000	$'000	$'000	$'000
Cash and cash equivalents	68	18,497	872,783	1,703,578
Net exposure arising from recognised assets and liabilities	68	18,497	872,783	1,703,578

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Currency risk (Continued)

(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.

The Group

	2011		2010	
	Increase/ (decrease) in foreign exchange rate $'000	**(Decrease)/ increase in profit after tax and retained earnings $'000**	Increase/ (decrease) in foreign exchange rate $'000	(Decrease)/ increase in profit after tax and retained earnings $'000
United States dollars	**5%**	**(14,365)**	5%	(15,137)
	(5)%	**14,365**	(5)%	15,137
RMB	**5%**	**103,206**	5%	119,708
	(5)%	**(103,206)**	(5)%	(119,708)
SGD	**5%**	**84**	5%	—
	(5)%	**(84)**	(5)%	—
HK$	**5%**	**1,226**	5%	—
	(5)%	**(1,226)**	(5)%	—

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Currency risk (Continued)

(iii) Sensitivity analysis (Continued)

The Company

	2011 Increase/ (decrease) in foreign exchange rate $'000	2011 Increase/ (decrease) in profit after tax and retained earnings $'000	2010 Increase/ (decrease) in foreign exchange rate $'000	2010 Increase/ (decrease) in profit after tax and retained earnings $'000
RMB	5%	43,639	5%	85,179
	(5)%	(43,639)	(5)%	(85,179)
HK$	5%	925	5%	—
	(5)%	(925)	(5)%	—
MOP$	5%	3	5%	—
	(5)%	(3)	(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.

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 2010.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

2011

	The Group		
	Level 1 $'000	Level 2 $'000	Total $'000
Assets			
Trading securities	3,183	—	3,183
Liabilities			
Derivative financial instruments			
— Forward foreign exchange contracts	—	9,187	9,187

	The Company		
	Level 1 $'000	Level 2 $'000	Total $'000
Assets			
Trading securities	3,183	—	3,183

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Fair values (Continued)

(i) Financial instruments carried at fair value (Continued)

2010

	The Group and the Company		
	Level 1	Level 2	Total
	$'000	$'000	$'000
Assets			
Trading securities	—	—	—
Liabilities			
Derivative financial instruments			
— Forward foreign exchange contracts	—	—	—

(ii) Fair values of financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010 except for the Senior Notes (see Note 29) and amounts due from/to subsidiaries which are unsecured, interest-free and have no fixed terms of repayment (see Notes 19 and 34). Given the terms of amounts due from/to subsidiaries, it is not meaningful to disclose their fair values.

	The Group and the Company			
	2011		2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Senior Notes	**3,797,772**	**3,088,178**	—	—

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Estimation of fair values

(i) Trading securities

Fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

(ii) Derivatives

Forward exchange contracts are either marked to market by discounting the contractual forward price and deducting the current spot rate.

(iii) Interest-bearing loans and borrowings

The fair value is estimated as the quoted market price at the end of the reporting period without deduction for transaction costs for the Senior Notes (Note 29) or present value of future cash flows, discounted at current market interest rates for similar financial instruments for others.

(iv) Interest rates used for determining fair value

The group uses the relevant government yield curve as of 31 December 2011 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2011	2010
Loans and borrowings	**1.25%–8.28%**	1.42%–7.46%

38 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 10, and certain of the highest paid employees as disclosed in Note 11, is as follows:

	2011	2010
	$'000	$'000
Short-term employee benefits	**68,141**	33,797
Equity compensation benefits	**38,605**	62,280

The remuneration is included in "staff costs" (see Note 8(b)).

(b) Material related party transactions

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

	2011	2010
	$'000	$'000
Sales of construction equipment to related parties	**1,860**	4,430
Purchase of agency service from related party	**—**	1,465
Rental expense for lease of properties from related parties	**5,257**	2,160

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)

38 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:

	2011 $'000	2010 $'000
Amounts due from related parties	740	1,222

39 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2011 not provided for in the financial statements were as follows:

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Contracted for	495,725	540,757	–	–
Authorised but not contracted for	380,388	2,252,743	–	–
	876,113	2,793,500	–	–

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.

In addition to the above, at 31 December 2011, the board of directors of the Company approved the acquisition of the entire issued share capital of Grande Cache Coal Corporation for CA$10 per share in cash by entering into a joint venture with Marubeni Corporation. For details, please refer to Note 42.

39 COMMITMENTS (Continued)

(b) At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Within 1 year	**19,359**	18,548	**298**	8,118
After 1 year but within 5 years	**6,260**	24,009	**174**	12,854
	25,619	42,557	**472**	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.

40 CONTINGENT LIABILITIES — GUARANTEES

The Company's existing subsidiaries, other than those established/incorporated under the laws of the PRC, Winsway Coking Coal (Macao Commercial Offshore) Limited, Winsway Coking Coal Holdings S.A.R.L, 092165 B.C. Ltd. and 1629835 Alberta Ltd., have provided guarantees for the Senior Notes issued in April 2011 (see Note 29).

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

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

41 ULTIMATE CONTROLLING PARTY

At 31 December 2011, 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.

42 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 36(b).

On 19 January 2012, Jonestown Research issued a report in which it set out certain allegations against the Company including the potential overstatement of inventory and certain alleged undisclosed related party relationships. Jonestown research further released two follow up reports on 20 January 2012 and 30 January 2012 to repeat its allegations against the Company. The Directors have reviewed the Jonestown Research allegations and do not believe there is any merit to the allegations, accordingly, no adjustments have been made.

On 28 February 2012, the shareholders of the Company approved the acquisition of the entire issued share capital of Grande Cache Coal Corporation for CA$10 per share in cash by entering into a joint venture in which the Group and Marubeni Corporation holds 60% and 40% equity interest respectively. The acquisition has been completed on 1 March 2012. The total consideration of the acquisition is approximately CA$984.7 million among which CA$387.3 million and CA$258.2 million was contributed by the Group and Marubeni Corporation respectively with the remaining CA$339.2 million being financed by a term facility provided by a bank. The acquisition is to be accounted for as a business combination in accordance with IFRS 3 Business Combinations.

(Expressed in Hong Kong dollars unless otherwise indicated)

43 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments and interpretations and five new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group:

	Effective for accounting period beginning on or after
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
Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements* (2011)	1 January 2013
IAS 28, *Investments in associates and joint ventures* (2011)	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
IFRIC 20, *Stripping costs in the production phase of a surface mine*	1 January 2013
Amendments to IFRS 7, *Financial instruments: Disclosures — Disclosures — Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation — Offsetting financial assets and* financial *liabilities*	1 January 2014
IFRS 9, *Financial instruments* (2010)	1 January 2015
Amendments to IFRS 9, Financial instruments and IFRS 7, *Financial instruments:* Disclosures — *Mandatory effective date and transition disclosures*	1 January 2015

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 other than additional disclosures may arise.

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 11 June 2012
"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, which has been renamed as "Corporate Governance Code and Corporate Governance Report" as from 1 April 2012
"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$10,000,000 issued by our Company to ITOCHU on 30 April 2010, which have been fully converted on 24 September 2010
"Coppermine"	Coppermine Resources Limited, a company incorporated under the laws of the BVI on 12 January 2001 with its registered address at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI
"Director(s)"	the director(s) of our Company
"East Wuzhumuqin Qi Haotong"	東烏珠穆沁旗浩通能源有限公司 (East Wuzhumuqin Qi Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 29 July 2008 and our indirectly wholly-owned subsidiary
"Ejinaqi Haotong"	額濟納旗浩通能源有限公司 (Ejina Qi Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 19 May 2008 and our indirectly wholly-owned subsidiary
"Erlianhaote Haotong"	二連浩特浩通能源有限公司 (Erlianhaote Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 18 January 2007 and our indirect non wholly-owned subsidiary
"Goldliq"	Goldliq B.V.B.A., a company incorporated under the laws of Belgium with limited liability on 29 January 1991, in which Mr. Wang held 100% equity interest during the period from 6 November 1995 till 13 May 2005
"Grande Cache"	Grande Cache Coal Corporation
"Group", "our Group" or "Winsway"	our Company and its subsidiaries
"Hohhot Railway Bureau"	呼和浩特鐵路局 (the Hohhot Railway Bureau*), a regional railway bureau under the jurisdiction of the Ministry of Railways of the PRC
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)(as amended from time to time)
"HK$" 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*)
"Marubeni"	Marubeni Corporation
"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
"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
"Peabody Energy"	Peabody Energy Corporation (NYSE: BTU), a leading listed international coal company
"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
"Senior Notes"	8.50% senior notes due 2016 in the aggregate principal amount of US$500 million issued by us and currently listed on the Singapore Exchange Securities Trading Limited

Definitions

"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 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
"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
"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

Definitions

"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.

Five-Year Financial Summary

(Expressed in Hong Kong dollars)

	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Continuing operations					
Turnover	**11,610,413**	9,271,665	5,283,216	1,113,858	203,826
Profit before taxation	**1,422,836**	1,180,153	561,318	298,408	22,841
Income tax	**(371,079)**	(251,390)	(70,367)	11,927	154
Profit from continuing operations	**1,051,757**	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	**1,051,757**	928,763	515,255	273,180	16,055
Attributable to:					
Equity shareholders of the Company	**1,051,003**	928,826	515,255	274,228	18,276
Non-controlling interests	**754**	(63)	—	(1,048)	(2,221)
Profit for the year	**1,051,757**	928,763	515,255	273,180	16,055
Total assets	**16,399,764**	9,123,020	4,498,312	1,598,082	694,749
Total liabilities	**(9,126,643)**	(2,578,151)	(3,354,203)	(991,638)	(365,048)
Non-controlling interests	**(42,186)**	(76,041)	—	—	(792)
	7,230,935	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

Delbert Lee Lobb, Jr.
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

Remuneration Committee

Chairman

Wang Wenfu

Member

Apolonius Struijk
James Downing

Nomination and Corporate Governance Committee

Chairman

James Downing

Member

Yasuhisa Yamamoto
Ng Yuk Keung

Health and Safety and Environmental Committee

Chairman

Delbert Lee Lobb, Jr.

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
Shops 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