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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- Turnover of the Group in 2012 was HK$12,387 million, representing an increase of HK$777 million or 6.69% over 2011.
- Loss attributable to equity shareholders of the Company in 2012 was HK$1,620 million, compared to a profit attributable to equity shareholders of the Company of HK$1,051 million in 2011.
- Diluted loss per share was HK$0.429.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2012.

The board (the "**Board**") of directors ("**Directors**") of Winsway Coking Coal Holdings Limited (the "**Company**") hereby presents the annual results of the Company and its subsidiaries (the "**Group**", "**Winsway**", "**we**" or "**us**") for the year ended 31 December 2012 together with comparative figures for 2011.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

	Note	**2012**	2011
		$'000	*$'000*
Turnover	4	**12,387,405**	11,610,413
Cost of sales		**(12,806,100)**	(9,413,413)
Gross (loss)/profit		**(418,695)**	2,197,000
Other revenue		**28,292**	131,075
Distribution costs		**(261,491)**	(354,652)
Administrative expenses		**(601,272)**	(427,969)
Other operating expenses, net		**(11,576)**	(3,748)
(Loss)/profit from operating activities		**(1,264,742)**	1,541,706
Finance income		**186,832**	315,867
Finance costs		**(813,956)**	(406,275)
Net finance costs		**(627,124)**	(90,408)
Share of loss of a jointly controlled entity		**(35,510)**	(28,462)
Impairment of interest in a jointly controlled entity		**(323,616)**	—
(Loss)/profit before taxation		**(2,250,992)**	1,422,836
Income tax	5	**336,000**	(371,079)
(Loss)/profit for the year		**(1,914,992)**	1,051,757

	Note	**2012**	2011
	Note	***$'000***	*$'000*
Attributable to:			
Equity shareholders of the Company		**(1,619,536)**	1,051,003
Non-controlling interests		**(295,456)**	754
(Loss)/profit for the year		**(1,914,992)**	1,051,757
(Loss)/earnings per share (HK$)	6		
— Basic		**(0.429)**	0.278
— Diluted		**(0.429)**	0.275

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

	2012	2011
	$'000	*$'000*
(Loss)/profit for the year	**(1,914,992)**	1,051,757
Other comprehensive income for the year (after tax adjustments):		
Exchange differences arising on translation	**34,021**	131,244
Total comprehensive income for the year	**(1,880,971)**	1,183,001
Attributable to:		
Equity shareholders of the Company	**(1,598,981)**	1,179,595
Non-controlling interests	**(281,990)**	3,406
Total comprehensive income for the year	**(1,880,971)**	1,183,001

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2012

(Expressed in Hong Kong dollars)

	Note	**2012** **$'000**	2011 $'000
Non-current assets			
Property, plant and equipment, net		**3,776,522**	1,292,504
Construction in progress		**375,014**	335,326
Lease prepayments		**450,559**	361,342
Intangible assets		**6,728,662**	2,518
Goodwill	8	**459,623**	—
Interest in a jointly controlled entity	9	**—**	359,915
Other investments in equity securities		**395,738**	395,186
Other non-current assets		**219,399**	1,100,908
Deferred tax assets		**451,091**	77,194
Total non-current assets		**12,856,608**	3,924,893
Current assets			
Inventories		**2,444,261**	3,935,871
Trade and other receivables	10	**4,167,372**	3,807,561
Assets held for sale		**23,185**	—
Trading securities		**—**	3,183
Restricted bank deposits		**980,535**	1,590,504
Cash and cash equivalents		**2,110,823**	3,137,752
Total current assets		**9,726,176**	12,474,871

	Note	2012	2011
		$'000	*$'000*
Current liabilities			
Secured bank loans		**1,783,606**	660,925
Trade and other payables	11	**4,816,347**	4,316,503
Obligations under finance lease		**152,332**	—
Income tax payable		**83,646**	171,988
Liabilities held for sale		**63**	—
Total current liabilities		**6,835,994**	5,149,416
Net current assets		**2,890,182**	7,325,455
Total assets less current liabilities		**15,746,790**	11,250,348

	2012	2011
	$'000	*$'000*
Non-current liabilities		
Secured bank loans	**2,452,125**	65,376
Senior notes	**3,521,004**	3,797,772
Deferred income	**162,857**	114,079
Obligations under finance lease	**271,463**	—
Deferred tax liabilities	**1,103,732**	—
Provisions	**223,019**	—
Total non-current liabilities	**7,734,200**	3,977,227
NET ASSETS	**8,012,590**	7,273,121
CAPITAL AND RESERVES		
Share capital	**4,992,337**	4,992,291
Reserves	**604,644**	2,238,644
Total equity attributable to equity shareholders of the Company	**5,596,981**	7,230,935
Non-controlling interests	**2,415,609**	42,186
TOTAL EQUITY	**8,012,590**	7,273,121

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2012 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 assets and liabilities are stated at their fair value:

— Share-based payments;

— Derivative financial instruments; and

— Trading securities.

Disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with International Financial Reporting Standards ("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.

3 CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued several amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the amendments to IFRSs 7, Financial instruments: Disclosures - Transfers of financial assets, is relevant to the Group's financial statements. The amendments to IFRSs 7 require certain disclosures to be included in the annual financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity needs not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

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

4 TURNOVER AND SEGMENT REPORTING

(i) Turnover

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

	2012	2011
	$'000	*$'000*
Coking coal	**11,681,255**	10,494,843
Thermal coal	**113,649**	23,414
Coke	**38,800**	522,253
Coal related products	**488,224**	531,151
Rendering of logistics services	**41,412**	12,543
Others	**24,065**	26,209
	12,387,405	11,610,413

The Group's customer base is diversified and includes only one customer (2011: one) with whom transactions have exceeded 10% of the Group revenues.

In 2012 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 $1,433 million (2011: $1,207 million).

(ii) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines 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 manages and operates coal processing plants and generates income from processing and trading of coking coal and related products to external customers.

- Development of coal mills and production of coking coal and related products: this segment acquires, explores and develops coal mills and produces coal from the mills. The Group acquired the equity interest in a jointly controlled entity developing coal mills and commenced its business in this segment during the year ended 31 December 2010. On 1 March 2012, the Group acquired Grande Cache Coal Corporation ("GCC"), a Canadian company developing coal mills and producing coking coal and related products from the mills.

- Logistics services: this segment constructs, manages and operates logistics parks 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 assets, intangible assets, goodwill and current assets with the exception of deferred tax assets. Segment liabilities include trade and other payables, obligations under finance lease, provisions, deferred income and bank and other borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expenses arising from the activities of the Group's jointly controlled entity. However, other than reporting inter-segment sales of coal products and logistics services, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

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

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales and the Group's share of the jointly controlled entity's revenue), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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 years ended 31 December 2012 and 2011 is set out below.

	Processing and trading of coking coal and related products		Development of coal mills and production of coking coal and related products		Logistics services		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**10,940,084**	11,597,870	**1,405,909**	—	**41,412**	12,543	**12,387,405**	11,610,413
Inter-segment revenue	**—**	—	**354,000**	—	**19,126**	15,699	**373,126**	15,699
Reportable segment revenue	**10,940,084**	11,597,870	**1,759,909**	—	**60,538**	28,242	**12,760,531**	11,626,112
Reportable segment (loss)/profit (adjusted EBITDA)	**(615,412)**	1,612,602	**(244,776)**	(28,462)	**10,338**	5,206	**(849,850)**	1,589,346
Interest income	**86,261**	107,998	**1,788**	—	**760**	195	**88,809**	108,193
Interest expense	**(569,842)**	(380,696)	**(207,054)**	—	**(6,929)**	(1,585)	**(783,825)**	(382,281)
Depreciation and amortisation for the year	**(108,298)**	(74,651)	**(326,451)**	—	**(15,653)**	(1,451)	**(450,402)**	(76,102)
Impairment of interest in a jointly controlled entity	**—**	—	**(323,616)**	—	**—**	—	**(323,616)**	—
Reportable segment assets	**11,650,744**	15,584,648	**10,292,320**	359,915	**586,883**	516,320	**22,529,947**	16,460,883
Additions to non-current segment assets during the year	**205,741**	1,436,134	**9,930,007**	25,421	**97,102**	679,330	**10,232,850**	2,140,885
Reportable segment liabilities	**9,404,767**	8,804,142	**3,993,991**	—	**382,312**	288,826	**13,781,070**	9,092,968

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

	2012	2011
	$'000	*$'000*
Revenue		
Reportable segment revenue	**12,760,531**	11,626,112
Elimination of inter-segment revenue	**(373,126)**	(15,699)
Consolidated turnover	**12,387,405**	11,610,413
(Loss)/profit		
Reportable segment (loss)/profit	**(849,850)**	1,589,346
Depreciation and amortisation	**(450,402)**	(76,102)
Impairment of interest in a jointly controlled entity	**(323,616)**	—
Net finance costs	**(627,124)**	(90,408)
Consolidated (loss)/profit before taxation	**(2,250,992)**	1,422,836

	2012	2011
	$'000	*$'000*
Assets		
Reportable segment assets	**22,529,947**	16,460,883
Deferred tax assets	**451,091**	77,194
Elimination of inter-segment receivables	**(398,254)**	(138,313)
Consolidated total assets	**22,582,784**	16,399,764
Liabilities		
Reportable segment liabilities	**13,781,070**	9,092,968
Current income tax liabilities	**83,646**	171,988
Deferred tax liabilities	**1,103,732**	—
Elimination of inter-segment payables	**(398,254)**	(138,313)
Consolidated total liabilities	**14,570,194**	9,126,643

(c) Geographic information

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

	Revenues from external customers		**Specified non-current assets**	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
The PRC (including Hong Kong and Macau)	**10,700,900**	10,277,203	**2,565,852**	2,456,771
Canada	**1,405,909**	—	**9,651,633**	779,231
Mongolia	**504**	11,758	**—**	359,915
Other countries	**280,092**	1,321,452	**188,032**	251,782
	12,387,405	11,610,413	**12,405,517**	3,847,699

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012	2011
	$'000	*$'000*
Current tax - Hong Kong Profits Tax		
Provision for the year	**—**	805
Current tax - Outside of Hong Kong		
Provision for the year	**58,792**	397,322
Deferred tax		
Origination and reversal of temporary differences	**(394,792)**	(27,048)
	(336,000)	371,079

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 2012 is calculated at 16.5% (2011: 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% (2011: 25%) of the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

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

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

	2012	2011
	$'000	*$'000*
(Loss)/profit before taxation	**(2,250,992)**	1,422,836
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (loss)/profits in the jurisdictions concerned	**(442,885)**	328,911
Tax effect of non-deductible expenses	**39,544**	49,195
Tax effect of deferred tax assets on unrealised profits	**22,484**	(16,411)
Tax effect of utilisation of previously unrecognised tax losses	**(4,912)**	(6,748)
Tax effect of unused tax losses not recognised	**49,769**	16,132
Actual tax (credit)/expense	**(336,000)**	371,079

6 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss/earnings per share is based on loss attributable to ordinary equity shareholders of the Company of $1,619,536,000 (2011: profit of $1,051,003,000) and the weighted average of 3,773,199,000 ordinary shares (2011: 3,785,420,000 shares) in issue during the year, calculated as follows:

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

	2012	2011
	'000	*'000*
Issued ordinary shares at 1 January	**3,773,184**	3,788,261
Effect of exercise of share options	**15**	1,991
Effect of repurchase and cancellation of issued shares	**—**	(4,832)
Weighted average number of ordinary shares (basic) as at 31 December	**3,773,199**	3,785,420

(b) Diluted (loss)/earnings per share

The calculation of diluted loss/earnings per share is based on loss attributable to ordinary equity shareholders of the Company of $1,619,536,000 (2011: profit of $1,051,003,000) and the weighted average number of ordinary shares of 3,773,199,000 shares (2011: 3,823,852,000 shares), calculated as follows:

	2012	2011
	'000	*'000*
Weighted average number of ordinary shares as at 31 December	**3,773,199**	3,785,420
Effect of deemed issue of shares under the Company's share option scheme for nil consideration*	**—**	38,432
Weighted average number of ordinary shares (diluted) as at 31 December	**3,773,199**	3,823,852

* The effect of the potential ordinary shares outstanding is anti-dilutive for the year ended 31 December 2012.

7 ACQUISITION OF A SUBSIDIARY

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

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

For the ten months from 1 March 2012 to 31 December 2012, GCC contributed turnover of $1,759,909,000 and a loss of $611,188,000 to the Group's results. Management estimates that if the acquisition had occurred on 1 January 2012, then consolidated turnover would have been $12,824,983,000 and consolidated loss for the period would have been $1,935,790,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2012.

(a) Consideration transferred

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

(b) Identifiable assets acquired and liabilities assumed

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

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

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

* For the purpose of and immediately upon the acquisition of GCC on 1 March 2012, the assets and liabilities of GCC underwent a re-structuring plan, pursuant to which Grande Cache Coal LP ("GCC LP"), a limited partnership directly held as to 60% by a wholly owned subsidiary of the Company and as to 40% by a wholly owned subsidiary of Marubeni Corporation, was established to own all assets and assume all liabilities of GCC, excluding deferred tax liabilities, as limited partnership structure is an income tax-free legal structure in Canada. Although GCC LP is not subject to Canadian corporate income tax, its immediate holding companies need to calculate and account for corporate income tax based on the operating results of GCC LP according to their respective interests in GCC LP. Accordingly, deferred tax liabilities are recognised by the Group for any taxable temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements of GCC LP based on the Group's 60% equity holding in GCC LP.

(c) Goodwill

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

	$'000
Total consideration transferred from the Group for the acquisition of GCC	5,713,325
Non-controlling interest*	2,431,337
Fair value of net identifiable assets	(7,687,328)
Goodwill	**457,334**

* Non-controlling interest is measured at proportionate interests of identifiable assets and liabilities of GCC LP after deducting the bank loan of US$350 million (equivalent to $2,727,771,000) which was obtained to finance the acquisition and assumed by GCC LP immediately after the completion of the acquisition.

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

(d) Acquisition-related costs

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

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

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

8 GOODWILL

	$'000
Cost/carrying amount:	
At 1 January 2011, 31 December 2011 and 1 January 2012	—
Acquisition of a subsidiary	457,334
Exchange adjustments	2,289
At 31 December 2012	459,623

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	The Group	
	2012	2011
	$'000	*$'000*
Development of coal mills and production of coking coal and related products– Canada	**459,623**	—

The recoverable amount of the CGU is determined based on value in use calculations taking into account of the synergies expected to be achieved from integrating GCC into the Group's existing coal business and the skills and technical talent of GCC's work force. These calculations use cash flow projections based on financial forecasts prepared by management covering the life of the mine. The cash flow projections are based on long term production plans. The cash flows are discounted using a discount rate of 8.50%. The discount rate used is post-tax and reflect specific risks relating to the relevant segments.

However, as key assumptions on which management has made in respect of future cash projections are subject to change, management believes that any adverse change in the assumptions would cause the carrying amount to exceed its recoverable amount.

9 INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2012	2011
	$'000	*$'000*
Share of net assets	**280,604**	316,798
Goodwill	**43,012**	43,117
	323,616	359,915
Impairment loss	**(323,616)**	—
As at 31 December	**—**	359,915

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

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

	2012	2011
	$'000	*$'000*
Non-current assets	**306,424**	320,932
Current assets	**12,650**	34,242
Non-current liabilities	**(37,819)**	(37,905)
Current liabilities	**(651)**	(471)
Net assets	**280,604**	316,798
Income	**146**	30,729
Expenses	**(35,656)**	(59,191)
Loss for the year	**(35,510)**	(28,462)

Goodwill represents the excess of the cost of purchase over the fair value of the underlying assets and liabilities.

The Directors reviewed Peabody-Winsway's operations and financial positions as at 31 December 2012 based on value in use calculation. A discount rate of 20.00% (2011:21.62%) was applied on projected cash flows for value in use calculation. Due to the unsatisfactory operating performance, and a delay in the commencement of the mining activities, which resulted in a decrease in the recoverable amount from value in use calculation. Accordingly, during the year ended 31 December 2012, an impairment loss of $323,616,000 (2011:nil) was provided for the Group's interest in a jointly controlled entity.

10 TRADE AND OTHER RECEIVABLES

	The Group	
	2012	2011
	$'000	*$'000*
Trade receivables	**1,094,587**	1,266,483
Bills receivable	**589,273**	772,877
Receivables from import agents	**1,371,706**	1,017,350
Amounts due from related parties	**740**	740
Prepayments to suppliers	**579,866**	400,019
Loan to a third party company	**62,011**	62,152
Derivative financial instruments*	**2,149**	—
Deposits and other receivables	**467,040**	287,940
	4,167,372	3,807,561

* Derivative financial instruments represent fair value of foreign exchange forward contracts as at 31 December 2012.

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. The credit terms for receivables from import agents can be as long as one year, which are comparable to the credit terms for the payables to the import agents as granted to the Group. Bills receivable are normally due within 90 days to 180 days from the date of issuing.

At 31 December 2012, trade and bills receivables of the Group of $1,137,537,000 (2011: $569,459,000) have been pledged as collateral for the Group's borrowings.

At 31 December 2012, bills receivable of the Group of $2,788,969,000 (2011: $2,312,236,000) were derecognised from the consolidated statement of financial position as the relevant bills have been discounted to banks on a non-recourse basis.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, bills receivable and receivables from import agents, based on the invoice date, is as follows:

	The Group	
	2012	2011
	$'000	*$'000*
Less than 3 months	**2,301,453**	1,488,140
More than 3 months but less than 6 months	**251,452**	1,507,763
More than 6 months but less than 1 year	**488,701**	46,835
More than 1 year	**13,960**	13,972
	3,055,566	3,056,710

(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 2012.

The ageing analysis of trade receivables, bills receivable and receivables from import agents that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2012	2011
	$'000	*$'000*
Neither past due nor impaired	**2,972,441**	3,004,698
Less than 3 months past due	**56,493**	37,877
More than 3 months but less than 12 months past due	**26,632**	14,135
	3,055,566	3,056,710

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.

11 TRADE AND OTHER PAYABLES

	The Group	
	2012	2011
	$'000	*$'000*
Trade and bills payables	**1,904,116**	2,415,681
Payables to import agents	**1,995,730**	1,042,578
Amounts due to related parties	**135,642**	—
Prepayments from customers	**335,230**	378,983
Payables in connection with construction projects	**179,764**	202,980
Payables for purchase of equipment	**35,226**	54,631
Derivative financial instruments*	**—**	9,187
Others	**230,639**	212,463
	4,816,347	4,316,503

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

At 31 December 2012, bills payable amounting to $1,436,924,000 (2011: $2,062,494,000) was secured by deposits placed in banks with an aggregate carrying value of $430,721,000 (2011: $1,340,065,000).

Trade and bills payables and payables to import agents are expected to be settled within one year or are repayable on demand. The maturity analysis of these payables is as follows:

	The Group	
	2012	2011
	$'000	*$'000*
Due within 1 month or on demand	**1,228,685**	1,275,509
Due after 1 month but within 3 months	**1,586,763**	841,620
Due after 3 months but within 6 months	**1,084,398**	903,597
Due after 6 months	**—**	437,533
	3,899,846	3,458,259

CHAIRMAN AND CEO'S STATEMENT

On behalf of the board of directors (the "Board") of Winsway Coking Coal Holdings Limited, I hereby present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

Market Overview

Winsway's markets were adversely affected by slowing economic growth in China and the weak economic situation abroad. In China, the real estate and infrastructure industries led the decline in demand for iron and steel during 2012. Steel mills kept low production levels throughout the year and some adopted a strategy of minimizing inventory levels to mitigate the risk of further economic decline. The long-term fixed price of coking coal fell sharply from over US$300 at the end of 2011 to US$140 to US$150 on a CFR-basis in the second and third quarters of 2012, representing a decrease of 50%.

In 2012, not only did steel mills and coke producers record losses, upstream mine owners were also affected by great losses. Many mine owners worldwide were even forced to reduce or suspend production.

Operation Overview

Operating in such an environment, Winsway also experienced a difficult year in 2012 and will report its first annual loss. Notwithstanding such adversity in the market, Winsway achieved record sales volume of approximately 11 million tonnes and a revenue of HK$12,387 million, representing an increase of 6.69% over 2011. Winsway managed to safeguard its reputation with every purchase contract executed and secured its market share. While revenues increased, our margin were adversely impacted as coking coal prices declined dramatically and strategy of inventory reduction led to losses. These achievements fully testified to the Company's strength and the ability of our team.

Investments

In 2012, Winsway made its first strategic "upstream" move, together with Marubeni Corporation ("Marubeni"), the Company acquired Grande Cache Coal Corporation ("GCC"), a Canadian coal company. For the ten month since completion of the GCC acquisition, the Company produced 2.29 million tonnes run-of-the-mine coal. Total resources are 314.2 million tonnes. Market conditions in 2012 posed great challenges during the integration phase of the acquisition. Winsway and Marubeni joined hands to introduce Chinese and Japanese operating concepts, and progress was made in cost reduction. GCC possesses quality coal with great reserve potential. In the future, we believe that with a stable reduction in production costs, GCC has the potential to contribute considerably to the profitability of Winsway.

During the past five years, Winsway has accumulatively invested over HK$2 billion in establishing an integrated coal transportation, coal washing and processing system in China. These investments include construction of border-crossing logistics parks, railway logistics parks as well as coal handling and processing plants at Sino-Mongolian and Sino-Russian borders and the coastal regions of China. As planned at our IPO in 2010, this has provided an integrated logistics platform for coking coal from most major coking coal producer countries to access the Chinese market.

Looking forward

Based on our existing infrastructure system, our upstream resources and our experienced team, we will reclassify our businesses into the following five segments for the purpose of pursuing profitability for the Group.

(1) Business at land border-crossings Sino-Mongolia and Sino-Russia

Winsway boasts facilities at five Sino-Mongolian border-crossings and three Sino-Russian border-crossings, including border-crossing logistics facilities, coal processing plants and railway related assets, enabling it to earn a steady revenue stream by providing integrated services including border crossing, logistics, transportation and coal processing services for miners from Mongolia and Russia.

(2) Business at ports

Winsway imports sea-borne coal from suppliers in Australia, Canada, North America and Africa through the rendering of logistics, processing and other supporting services. Our port facilities are intended to cover major steel mills in the eastern regions of China. These port facilities connect the Yangtze River basin so we can serve a wide range of steel mills as a coking coal supermarket offering all types of sea-borne coal we purchase as well as coking coal imported from Mongolia and Russia.

(3) GCC business

Through GCC, a 60% owned joint venture with Marubeni, Winsway has acquired a significant producer of high quality coking coal in North America.

We will continue our efforts to increase output, reduce costs, as well as pursue numerous exploration and development opportunities at the site.

(4) PRC coal services

We intend to leverage our own infrastructure platform to serve domestic mines at an appropriate time.

(5) Trading business

The Company will seize opportunities arising from the international coking coal and iron ore market and participate in global trade when and as appropriate by virtue of its familiarity with the market and its customer network.

Looking forward to 2013, while developing the Chinese market, Winsway plans to increase import from Mongolia, Russia, Australia, Canada, North America and Africa, so as to provide premium coking coal and coke products to more steel manufacturers in China. In addition to China, we intend to develop other markets in Asia including Japan, South Korea and India at the appropriate time. Taking advantage of our existing Sino-Mongolian border-crossing facilities, we will develop an integrated system for iron ore border-crossing, transportation and processing, thus importing iron ores from Mongolia to China through the railway logistics park at Erlianhaote. We hope our efforts in new business developments will bring improved returns to all shareholders in 2013.

Winsway has put in a lot efforts to protect the environment and provide a healthy and safe working condition for our employees. We are very glad to report no fatal incident throughout the year and we will continuously improve the awareness of safety throughout the Group. After the acquisition of GCC, we will further increase our investment on health and safety management.

Finally, on behalf of the Board, I would like to express my gratitude to all our shareholders for their long-term support to the Group. I would also like to extend my appreciation to our employees for their strong efforts in these challenging conditions. The management of the Group, together with all our employees, will strengthen the Group's competitiveness in accordance with the well-defined development strategy, aiming to make greater achievements in future.

Wang Xingchun
Chairman and CEO
Winsway Coking Coal Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

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

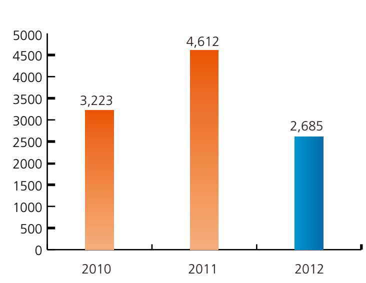
I Overview

In 2012, the Chinese steel mills cut down their production as steel prices continued to decline under a weak domestic and international economic environment. The iron ore and coking coal prices fell by between 30% and 50% compared to 2011. Most steel mills and coke plants incurred huge losses and miners also suffered in the face of such weak demand. Winsway experienced a difficult year as well, recording its first net loss for the year. However, we managed to maintain our market share and completed a successful acquisition. In 2012, together with Marubeni, we acquired Grande Cache Coal ("GCC"). This year's results include the consolidation of GCC's figures for the ten months ended 31 December 2012. "Self-produced coal" in this announcement represents coal produced by GCC.

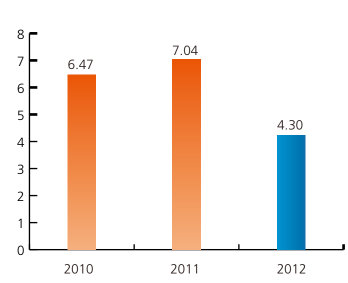
II Procurement

In 2012, we procured a total of 4.30 million tonnes of Mongolian coal, representing a 38.92% decrease in terms of Mongolian coal procurement over 2011 (7.04 million tonnes). The reason for the decrease in procurement of Mongolian coal was a strategy of lowering Mongolian coal inventory level at our logistic centers and wash plants. The Group's strategy since the beginning of 2012 was to lower inventory in order to maintain a healthy cash flow under the difficult economic environment in 2012.

Mongolian Coal Procurement Amount *(In HKD Millions)*



Mongolian Coal Procurement Volume *(MT)*

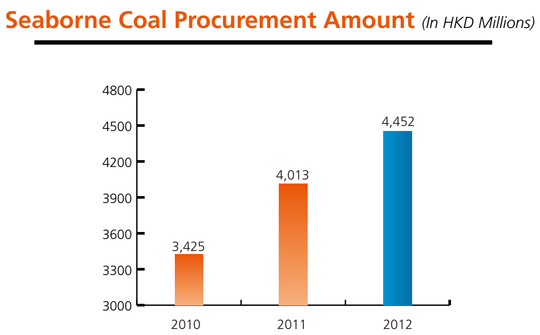


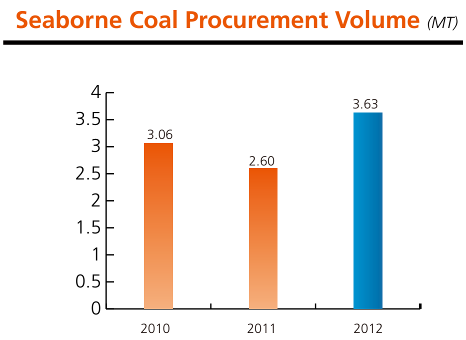
Top Mongolian Suppliers

Suppliers	**Description**	**Procurement Amount** *(HK$ million)*
Mongolian Mining Corporation	Coal	1,268
Moveday Enterprises Limited ("Moveday")	Coal	494
Mongolyn Alt (MAK) Corporation	Coal	312
SouthGobi	Coal	157

Note: Coal purchased from Moveday was mined by Tavan Tolgoi Corporation. Moveday also provided transportation services amounting to HK$293 million in the year 2012. Our supplier base of Mongolian coal includes many of the major coking coal suppliers in Mongolia.

In 2012, our seaborne procurement totaled approximately 3.63 million tonnes, representing a 39.62% increase over 2011. Due to the suspension of the production of a certain Mongolian miner, we procured more seaborne coal to meet the demands of our customers.





III Production of self-produced Coal

Following the completion of the acquisition of GCC on 1 March 2012, GCC has become a subsidiary of the Group and we commenced the business of mining and production.

Surface Mine	Ten Months Ended 31 December 2012
	('000 tonnes)
Mine 8	
Raw Coal Mined — Metallurgical *(rom)*	1,636
Raw Cool Mined — Thermal *(rom)*	27
Undergound Mine	
Mine 12B2	
Raw Coal Mined — Metallurgical *(rom)*	626

For self-produced coal, 2012 was a very challenging year as the international sales price of coking coal was low. The Company has put a lot of efforts to reduce production costs since the acquisition of GCC. Production costs in the second half of the year were lower than costs in the first half due to cost cutting efforts. Unit costs however fluctuated greatly due to fluctuations in coal production levels and fluctuating strip ratios.

IV Our reserves and resources

The Group commissioned an independent technical consultant to estimate the total coal reserves and resources as of 31 December 2012 in accordance with the National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). Details of the Group's coal reserves and resources as of 31 December 2012 are extracted from the report as follows:

Table 1: Summary of Measured and Indicated In-Place Coal Resources

	Measured *(Mt)*	Indicated *(Mt)*	Total *(Mt)*
Surface Mining Areas[2]			
No. 2 Area	61.4	23.2	84.5
No. 8 Area	43.6	10.7	54.3
No. 12 South A Area[3]	11.1	15.1	26.2
No. 12 South B2 Area[4]	2.6	1.0	3.6
No. 12 North Area	39.1	15.6	54.7
No. 16 Area	56.0	20.2	76.2
Total Surface Mining Areas	213.8	85.8	299.5
Underground Areas[5]			
No. 12 South B2 Underground	11.9	2.7	14.7
Total Underground Areas	11.9	2.7	14.7
Grand Total	**225.7**	**88.5**	**314.2**

Notes

(1) Quality of all resources classified as Low Volatile Bituminous (ASTM).

(2) Surface mining resources estimated based on a 20:1 strip ratio cut-off and a 45° pit wall angle.

(3) A portion of the No.12 South A resources can also be mined by underground methods.

(4) No.12 South B2 surface resources are those remaining after the open pit reserves have been mined out.

(5) Underground resource estimated by minimum depth of cover approximately 50 m; maximum underground extraction angle 15°; 20 m buffer from faulting, 50 m buffer from highwalls.

(6) Coal resources are inclusive of the coal reserves.

(7) The resource estimates have been prepared by an independent technical consultant commissioned by the Group in accordance with NI 43-101.

(8) Rounding as required by reporting guidelines may result in apparent summation differences.

Table 2: Summary of Inferred In-place Coal Resources

	Inferred *(Mt)*
Surface Mining Areas[2]	
No. 2 Area	6.3
No. 8 Area	10.3
No. 12 South A Area[3]	9.6
No. 12 South B2 Area[4]	0.5
No. 12 North Area	2.2
No. 16 Area	15.9
Total Surface Mining Areas	44.8
Underground Areas[5]	
No. 12 South B2 Underground	—
Total Underground Areas	—
Grand Total	**44.8**

Notes

(1) Quality of all resources classified as Low Volatile Bituminous (ASTM).

(2) Surface mining resources estimated based on a 20:1 strip ratio cut-off and a 45° pit wall angle.

(3) A portion of the No.12 South A resources can also be mined by underground methods.

(4) No.12 South B2 surface resources are those remaining after the open pit reserves have been mined out.

(5) Underground resource estimated by minimum depth of cover approximately 50 m; maximum underground extraction angle 15°; 20m buffer from faulting, 50 m buffer from highwalls.

(6) Coal resources are inclusive of the coal reserves.

(7) The resource estimates have been prepared by an independent technical consultant commissioned by the Group in accordance with NI 43-101.

(8) Rounding as required by reporting guidelines may result in apparent summation differences.

Table 3: Summary of Proven and Probable Run-of-Mine Reserves

	Proven *(Mt)*	**Probable** *(Mt)*	**Total** *(Mt)*
Surface Mining Areas			
No. 2 Area	15.7	1.2	16.9
No. 8 Area	27.0	0.5	27.5
No. 12 South A Area[2]	9.7	1.3	11.0
No. 12 North Area	31.3	12.2	43.5
No. 16 Area	19.7	9.6	29.3
Total Surface Mining Areas	103.4	24.8	128.2
Underground Areas[3]			
No. 12 South B2 Underground	5.7	1.1	6.8
Total Underground Areas	5.7	1.1	6.8
Grand Total	**109.1**	**25.9**	**135.0**

Notes

(1) Quality of all reserves classified as Low-Volatile Bituminous (ASTM).

(2) Planned surface pits only.

(3) Underground ROM estimated include a mining recovery ranging from 75% to 80%, inherent to Room-and-pillar operation.

(4) Rounding as required by reporting guidelines may result in apparent summation differences.

Table 4: Summary of Proven and Probable Saleable Coal Reserves

	Proven *(Mt)*	**Probable** *(Mt)*	**Total**[2] *(Mt)*
Surface Mining Areas			
No. 2 Area	10.6	0.8	11.4
No. 8 Area	18.6	0.3	18.9
No. 12 South A Area[3]	6.9	0.9	7.8
No. 12 North Area	22.2	8.9	31.1
No. 16 Area	14.4	7.0	21.4
Total Surface Mining Areas	72.7	17.9	90.6
Underground Areas			
No. 12 South B2 Underground[4]	4.1	0.8	4.9
Total Underground Areas	4.1	0.8	4.9
Grand Total	**76.8**	**18.7**	**95.5**

Notes

(1) Quality of all reserves classified as Low-Volatile Bituminous (ASTM).

(2) Total coal will be marketed as hard coking coal.

(3) Planned surface pits only.

(4) ROM coal from Table 3 considers a yield of 71% based on the historic average plant yield for the No. 7 mine.

(5) Saleable (Clean) coal reserves are a subset of and not additive to Run-of-Mine reserves.

(6) The reserve estimates have been prepared by an independent technical consultant commissioned by the Group in accordance with NI 43-101.

(7) Rounding as required by reporting guidelines may result in apparent summation differences.

V Exploration

The Group intended to conduct extensive exploration in our acquired mining areas. In the year 2012, a total of 37 drillholes were conducted in No. 8 Area covering a total of 3,130 metres.

VI Our customers

We continued to maintain our core steel mill customers throughout northern and coastal regions of China, as well as our international customers, notwithstanding the softened demand of coking coal throughout the year 2012. Following the acquisition of GCC our customer base has also expanded to include Canadian steel mills as well as additional international customers. Our top 5 customers account for 33.09% of total sales for 2012, whereas the percentage was 36.08% for the 2011. In terms of sales, our top 5 end customers are as follows:

The Group's Top 5 Customers

Name	**Location**	**Amount** *(HK$' Million)*
Liu Steel	Guangxi	1,433
Sha Steel	Jiangsu	848
Shenhua Group	Beijing	650
Tangshan Jiahua	Hebei	625
Marubeni	Japan	543

VII Financial Overview

a. *Sales*

In 2012, our sales revenue grew 6.69% from 2011, to HK$12,387 million. Compared to Winsway's standalone sales revenue for 2012, our sales revenue decreased by 5.42%. The main reasons for lower Winsway's standalone sales revenue were the weak coking coal market conditions throughout 2012 and lower average selling prices.

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
Mongolian coal	5,073,434	7,249,444	5,419,774
Seaborne coal	4,155,712	3,776,550	5,239,075
Self-produced coal	—	—	1,680,497
Others	42,519	584,419	48,059
Total	9,271,665	11,610,413	12,387,405

We sold a total of 11.31 million tonnes of coal in 2012, consisting of 5.90 million tonnes of Mongolian coal and 4.08 million tonnes of seaborne coal, as well 1.33 million tonnes of self-produced coal.

	Years ended 31 December					
	2010		**2011**		**2012**	
	Total sales volume	**Average selling price (Per tonne)**	**Total sales volume**	**Average selling price (Per tonne)**	**Total sales volume**	**Average selling price (Per tonne)**
	(Tonnes)	*(HK$)*	*(Tonnes)*	*(HK$)*	*(Tonnes)*	*(HK$)*
Mongolian coal	4,720,952	1,075	6,918,383	1,048	5,895,441	919
Seaborne coal	3,106,230	1,338	2,170,995	1,740	4,080,637	1,284
Self-produced coal	—	—	—	—	1,332,285	1,261
Total	7,827,182	1,179	9,089,378	1,213	11,308,363	1,091

b. *Cost of Goods Sold ("COGS")*

The increase of COGS in 2012 was a result of both increased sales volume as well as the offloading of high-cost inventory carried over from the previous year. COGS primarily consists of the purchase price, transportation costs of Mongolian coal from the Sino-Mongolian border to our washing plants and washing-related expenses, as well as the production cost of GCC mines.

The transportation costs varied according to the location of the sales and the method of transportation which included railway, trucks and vessels. Washing-related expenses were relatively stable as they were determined by utility costs and yield rate.

The production costs of GCC were determined by strip ratio, production level, coal haul volume and washing yield.

The average purchase price of Mongolian coal decreased as the coking coal market softened in 2012. The average purchase price of Mongolian coal decreased 4.58%, from HK$655 per tonne in 2011 to HK$625 per tonne in 2012. The average purchase price of seaborne coal also decreased 20.66%, from HK$1,544 in 2011 to HK$1,225 per tonne in 2012.

	Years ended 31 December					
	2010		**2011**		**2012**	
	Total purchase/ production volume	**Average purchase/ production price (Per tonne)**	**Total purchase/ production volume**	**Average purchase/ production price (Per tonne)**	**Total purchase/ production volume**	**Average purchase/ production price (Per tonne)**
	(Tonnes)	*(HK$)*	*(Tonnes)*	*(HK$)*	*(Tonnes)*	*(HK$)*
Mongolian coal	6,472,246	498	7,043,057	655	4,298,203	625
Seaborne coal	3,062,230	1,119	2,599,308	1,544	3,633,990	1,225
Self-produced coal	—	—	—	—	1,443,226	1,522
Total	9,534,476	697	9,642,365	894	9,375,419	996

Self-produced coal

	Ten months ended 31 December 2012 *(HK$)*
Average cost of sales *(per tonne)*	
Cost of product sold	1,092
Distribution costs	217
Depreciation and depletion	202

c. *Gross Profit/loss*

2012 gross loss was HK$419 million compared to a gross profit of HK$2,197 million in 2011.

Such loss was mainly due to the weak demand in the coking coal market and continuous decrease in coking coal price throughout 2012. The Company has adopted a strategy of lowering the inventory to keep a healthy cash flow.

d. *Administrative Expenses*

Administrative expenses increased from HK$428 million in 2011 to HK$601 million in 2012 (including the ten months ended 31 December 2012 for GCC). The increase was mainly due to the inclusion of administrative expenses incurred by GCC and other transaction costs of the acquisition.

e. *Net Finance Costs*

Net finance costs increased from HK$90 million in 2011 to HK$627 million in 2012. The increase of net finance costs mainly consists of the financing for the acquisition of GCC as well as interest on our senior notes issued in April 2011 ("Senior Notes").

f. *Net Loss/Profit and Loss/Earnings per share*

Net loss totaled HK$1,915 million in 2012 compared to a net profit of HK$1,052 million in 2011. Net loss per share (diluted) amounted to HK$0.429 for 2012 compared to earnings per share (diluted) of HK$0.275 for 2011.

g. Working Capital

Our accounts receivable turnover days, accounts payable turnover days and inventory turnover days for 2012 were 54 days, 61 days, and 90 days, respectively. As a result our cash conversion cycle was approximately 83 days, which was 17 days less than 2011.

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

The aggregate value of fixed assets and construction in progress totaled HK$4,152 million at the end of 2012, a 155.04% increase over 2011. The additions are mainly from the acquired GCC assets.

i. Intangibles and Goodwill

Intangible assets at the end of 2012 totaled HK$6,729 million, with mining rights of GCC representing HK$6,723 million or 99.91% of all intangible assets. The intangible assets consisted of eighteen mining licenses currently held by GCC.

The movement of goodwill is as follows:

	$'000
Cost:	
At 1 January 2011, 31 December 2011 and 1 January 2012	—
Acquisition of a subsidiary	457,334
Exchange adjustments	2,289
At 31 December 2012	**459,623**

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

j. *Impairment*

Peabody-Winsway Joint Venture (the "Joint Venture")

As of 31 December 2012, the Group has written off its interest in the Joint Venture due to the unsatisfactory operating performance over the past few years and significant delay of its original mining plan. The impairment loss was HK$324 million following a drop in long-term discounted cash flow forecasts.

The Joint Venture incurred continuous losses since 2010 and it did not commence its mining activities in the second half year of 2012 as originally planned by the Joint Venture management. Considering the market environment, the commencement of the mining activities has been postponed to 2019. In addition, the recoverable amount from selling the exploration licenses, if any, is uncertain as lack of active market for similar transactions. As such, the Group provided full impairment for the carrying amount of its interest in the Joint Venture.

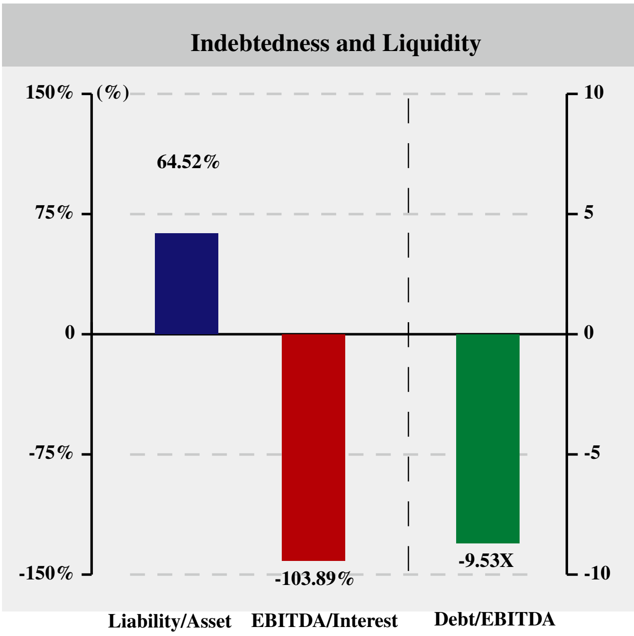
k. *Inventory*

As of 31 December 2012, following the Group's strategy to lower inventory in 2012, the Group's inventory value decreased by HK$1,492 million or 37.90% compared to 2011, and Winsway's standalone inventory value decreased by HK$1,936 million or 49.19% compared to 2011.

As of 31 December 2012, HK$342 million of inventory write-down was recorded by the Group, out of which HK$115 million was attributed to GCC.

l. *Indebtedness and Liquidity*

The total bank loans at the end of 2012 amounted to HK$4,236 million; the majority of the increase was the result of the loan facilities we entered into with Minsheng Bank for the acquisition of GCC in February 2012. The range of interest rates per annum for bank loans was from 1.59% to 8.28%, while the range in 2011 was from 1.25% to 8.28%. As of 31 December 2012, the untapped credit line available to the Group was HK$6,082 million. The Group's gearing ratio as at 31 December 2012 was 64.52% (2011: 55.65%), which is calculated on the basis of the Group's total liabilities divided by its total assets.



m. *Contingent Liabilities*

The Company's existing subsidiaries, other than those established/incorporated under the laws of the PRC, subsidiaries deemed immaterial and those falling under the definition of Unrestricted Subsidiaries under the Senior Notes (Winsway Coking Coal Holdings S.à.r.l, 092165 B.C. Ltd., GCC and Grande Cache Coal LP ("GCC LP")), have provided guarantees for the Senior Notes issued in April 2011. The guarantees will be released upon the full and final payment and performance of all obligations of the Company under the Senior Notes.

n. *Pledge of Assets*

At 31 December 2012, bank loans amounting to $105,061,000 (2011: $88,456,000) were secured by bank deposits placed in banks with an aggregate carrying value of $108,323,000 (2011: $91,887,000).

At 31 December 2012, bank loans amounting to $997,665,000 (2011: $547,799,000) were secured by trade and bills receivables with an aggregate carrying value of $1,059,635,000 (2011: $569,459,000).

At 31 December 2012, bank loans amounting to $65,365,000 (2011 $90,046,000) were secured by land use rights with an aggregate carrying value of $26,758,000 (2011: 83,855,000).

At 31 December 2012, bank loans amounting to $81,906,000 (2011: nil) were secured by both bank deposits and trade receivables with an aggregate carrying value of $4,390,000 (2011: nil) and $77,902,000 (2011: nil) respectively.

At 31 December 2012, bank loans amounting to $17,620,000 (2011: nil) were secured by property, plant and equipment with an aggregate carrying value of $20,650,000 (2011: nil).

At 31 December 2012, bank loans amounting to $2,968,114,000 (2011: nil) were secured by total assets of GCC LP with an aggregate carrying value of $9,932,647,000 (2011: nil).

VIII Risk factors

The operation of the Group involves certain risks, some of which are beyond our control. The risks set out below are those that Winsway currently believes may materially affect its performance and/or financial condition. However, this should not be taken as an exhaustive list as there may be additional risks and uncertainties not currently known to Winsway, or those which are currently deemed to be immaterial, may become material in the future which may adversely affect Winsway's business, results of operations, financial condition and prospects.

a. *Volatility of Coal Prices*

The market price of coal is volatile and is affected by numerous factors that are beyond our control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events, as well as a range of other market forces. Sustained downward movements in coal market prices, as recorded in the year 2012, have materially affected the Group's business and resulted in the first loss-marking year for the Group. The combined effects of any or all of these factors on coal prices are impossible for us to predict, there can be no assurance that global and domestic coal prices will not continue to fall or rebound to a profitable level, which would have material and adverse effect on our financial condition.

b. *Dependence Upon the Steel Industry*

Our business and prospects are heavily dependent on the demand for coking coal by steel makers and coke plants in China. The steel industry's demand for metallurgical coal is affected by a number of factors including the cyclical nature of that industry's business, technological developments in the steel-making process and the availability of substitutes for steel such as aluminum, composites and plastics. In the year 2012, the Chinese steel mills cut down their production as steel prices continued to decline under a weak domestic and international economic environment. Such significant reduction in the demand for steel products reduced the demand for metallurgical coal, which had a material adverse effect on the Group's performance. The continuance of a weak demand for metallurgical coal by the steel industry will affect the average selling prices of coking coal products, which will have material adverse effect on the Group.

c. *Exposure to exchange rate fluctuations*

Over 70% of the Group's turnover in 2012 was denominated in Renminbi. Over 85% of the Group's cost of coal purchased, and some of our operating expenses was 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.

d. *Uncertainty associated with the legal system in Mongolia*

The Mongolian legal system shares several of the qualitative characteristics typically found in a developing country. Many of its laws are still evolving. The legal system in Mongolia has inherent uncertainties that could limit the legal protections available to us. Although our Group does not currently have any direct operation in Mongolia, our business is strongly connected to, and places significant reliance on, operations in Mongolia. We rely on our major suppliers in Mongolia to supply raw coal to us and third-party transportation companies to deliver raw coal to us. There can be no assurance that future political and economic conditions in Mongolia will not result in the Mongolian Government adopting different policies in relation to foreign development and ownership of mineral resources. Any such changes in government or policy may result in changes in laws affecting ownership of assets, environmental protection, labour relations, repatriation of income, return of capital, investment agreements, income tax laws, royalty regulation, government incentive and other areas, each of which may materially and adversely affect our or our suppliers' ability to undertake exploration and development activities in the manner currently contemplated. Similarly, any restrictions imposed, or Mongolian Government charges levied or raised (including royalty fees), under Mongolian law on the export of coal could materially harm our operations and competitiveness.

e. *Exploration, Development and Operating Risks*

The Group's exploration for and development of coal deposits involves significant risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Few sites that are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of coal disclosed by the Group will be available to extract. All mining operations are inherently uncertain and coal exploration is speculative in nature, there can be no assurance that any coal discovered will result in an increase in the Group's coal resource base.

Establishment of a coal reserve and development of a coal mine does not assure a profit on the investment or recovery of costs. In addition, mining hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from a mine. These conditions include delays in obtaining governmental approvals or consents, insufficient transportation capacity or other geological, geotechnical and mechanical conditions. While the Group endeavours to maximize production rates of our mines over time through diligent mine supervision and effective maintenance, production delays from normal field operating conditions cannot be eliminated and these could adversely affect revenue and cash flow levels of the Group's mining operations to varying degrees.

The Group's mining operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of coal. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Group's business, financial condition and results of the Group's mining operations.

f. *Reserve and Resource Estimates*

The Group's reported coal reserves and resources are only estimates. While the Group has commissioned independent technical consultant to produce reports on the Group's coal reserves and resources, no assurance can be given that the estimated coal reserves and resources in such reports will be recovered or that they will be recovered at the rates estimated. Coal reserve and resource estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Coal reserve and resource estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of coal, as well as increased production costs or reduced recovery rates, may render certain coal reserves and resources uneconomic and may ultimately result in a restatement of reserves and/or resources. Moreover, short-term operating factors relating to the coal reserves and resources, such as the need for subsequent development of ore bodies and the processing of new or different ore grades, may adversely affect the Group's profitability in any particular accounting period.

g. Additional Funding Requirements

The Group's newly acquired mining operations of GCC may require substantial funds for future exploration, development, production and acquisition of coal reserves. No assurance can be given that the Group will be able to raise or provide the additional funding that may be required for such activities, should such funding not be fully generated from existing cash and internally generated cash flow. Coal prices, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors that will have an impact on the amount of additional capital that may be required. There is no assurance that additional financing would be available on terms acceptable to the Group or at all. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties and licences, incur financial penalties or reduce or terminate its operations.

h. Governmental Regulations and Processing Licences and Permits

The activities of the Group's mining operations are subject to government approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters, including issues affecting local First Nations and Aboriginal populations. The Group's mining activities are also subject to various laws and regulations relating to the protection of the environment. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Group's mining operations. Further, the mining licences and permits issued in respect of the Group's mining projects and mines may be subject to conditions which, if not satisfied, may lead to the revocation of such licences. In the event of revocation, the value of the Group's investments in such projects may substantially decline.

i. Environmental Regulation and Liability

The Group's mining activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in the Province of Alberta, including Canadian federal legislation. Such regulations typically cover a wide variety of matters including, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Group may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances that may exist on or under any of its properties or that may be produced as a result of its operations. Compliance with these environmental regulations may impose further financial burdens on the Group.

j. Changes in Legislation

There can be no assurance that income tax laws, royalty regulations and governmental incentive programs relating to the mining industry in Canada will not be changed in a manner which adversely affects the Group's newly acquired mining operations.

IV Final dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2012.

X Human Resources

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 PRC Labor Law and Labor Contract Law, the Group signs formal employment contracts with all employees and pays all mandatory social insurances schemes and housing provident fund to the full amount. 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. In Canada, the Group strictly follows local laws and regulations to pay all mandatory insurances.

As at 31 December 2012, there were 1,504 full-time employees in the employment of the Group (excluding 493 dispatch staff). Detailed category of employees is as follows:

Functions	**No. of Employee**	**Percentage**
Management, Administration & Finance	326	21.7%
Front-line Production & Production Support & Maintenance	348	23.1%
Sales & Marketing	37	2.5%
Mining[(a)]	740	49.2%
Others (incl. Projects, Coal processing, Transportation)	53	3.5%
Total	1,504	100%

(a) Breakdown of Mining related personnel

Functions	**No. of Employees**	**Percentage**
Head Office (Calgary) *(Note 1)*	40	5.4%
Mine Site Management, Supervision, Technical and Administrative	152	20.5%
Underground Mining Operations (Union)	109	14.8%
Contract Underground Mining Operations	54	7.3%
Surface Mining Operations (Union)	188	25.4%
Maintenance (Union)	111	15.0%
Coal Process Plant Operations & Maintenance, and Site Care (Union)	86	11.6%
Total	740	100%

Note 1. The Head Office head count includes 8 Superintendents at the Mine Site.

Note 2. The total number of union employees is 494.

Training Overview

Training is key to the Group's strategy of developing employee's skills, capabilities and careers. The Group runs comprehensive safety, health and environmental training program to prepare and regularly refresh safe work procedures. Training was conducted both internally and through the use of external specialists, seminars and university programs in 2012. A total of 1,710 employees participated in the training accumulating 26,460 training hours in total.

The Group also conducted training for Directors and senior management on issues under the Listing Rules and related regulations.

In 2012, some management staff also completed EMBA programs sponsored by the Group.

Training Courses	**No. of hours**	**No. of participants**
Safety	2,195	411
Leadership	2,011	255
New staff Orientation	604	40
Operation Excellence	21,650	1,004
Total	26,460	1,710

XI Health, Safety and Environment

We value the health and safety of our employees and the importance of protecting the environment. The lost time injury frequency rate ("LTIFR") is a key measure of how we are delivering against our commitment. The LTIFR, a ratio of the number of lost-time injuries per million hours works, was 1.55 for year 2012.

No serious environmental accidents were reported in 2012.

XII Investor Relations

The Company has continued to emphasize the great importance on information disclosures and has maintained regular communication with its shareholders. The Company knows it is important especially during challenging times to keep investors updated on the Company's business so they can make informed investment decisions. The Company is committed to upholding an interactive and transparent investor relationship strategy to enhance the knowledge and understanding of the shareholders of the Company's operational progress and financial performance. The Company has also continued to attend meetings held by institutional investors on roadshows as well as inviting investors to conduct site visits to our facilities.

SUPPLEMENTARY INFORMATION

Compliance with the Code on Corporate Governance Practices

Throughout the year ended 31 December 2012, the Company has complied with the code provisions ("**Code Provisions**") under the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "**CG Code**"), except 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 and Code Provision E.1.2 which requires that the chairman of the board should attend the annual general meeting. 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 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.

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The chairman of the Board was unable to attend the annual general meeting of the Company held on 11 June 2012 because of other unforeseen, pressing commitments overseas. Mr. Yasuhisa Yamamoto, an executive Director, chaired the meeting on his behalf and was available to answer questions.

Except for the deviations already mentioned from the CG Code, the Company fully complied with all the Code Provisions throughout the year ended 31 December 2012.

Compliance with the Model Code for Securities Transactions by Directors of the Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers set out in Appendix 10 to the Listing Rules (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, each Director confirmed that he/she has complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

Review of Annual Results

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2012.

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

This annual results announcement is published on the websites of the Company (www.winsway.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2012 will be dispatched to shareholders of the Company and will be available on the above websites in due course.

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

Hong Kong, 28 March 2013

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