WINSWAY®

WINSWAY COKING COAL HOLDINGS LIMITED
永暉焦煤股份有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 1733

2012 Annual Report

永暉焦煤股份有限公司
WINSWAY COKING COAL HOLDINGS LIMITED

Contents

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 between US$140 and 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 revenue of HK$12,387 million, representing an increase of 6.69% over 2011. Winsway managed to safeguard its commercial reputation by honouring every purchase contract executed and maintaining its market share. While revenues increased, our margins were adversely impacted as coking coal prices declined dramatically and strategy of inventory reduction led to losses. The achievements in the face of adversity 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, a Canadian coal company. For the ten months 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 Sino-Mongolia and Sino-Russia land border-crossings

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 at 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.

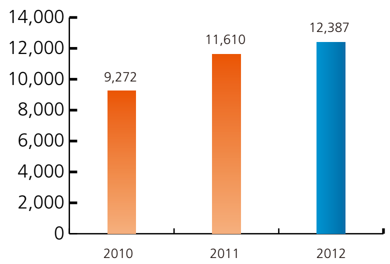
Winsway has made considerable effort to protect the environment and provide a healthy and safe working condition for our employees. We are very glad to report no fatal incident throughout the year and we will continuously improve the awareness of safety throughout the Group. After the acquisition of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

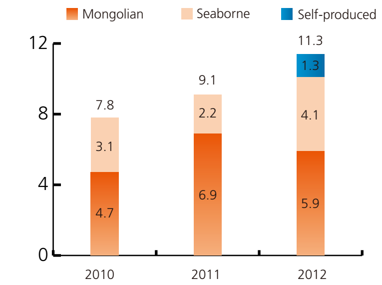
Wang Xingchun
Chairman and CEO
Winsway Coking Coal Holdings Limited

Financial Highlights

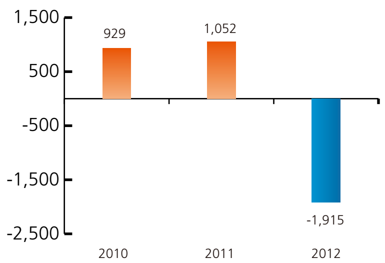
Total Revenue *(HKD in millions)*



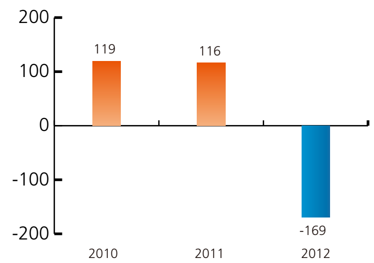
Total Sales Volume *(million tonnes)*



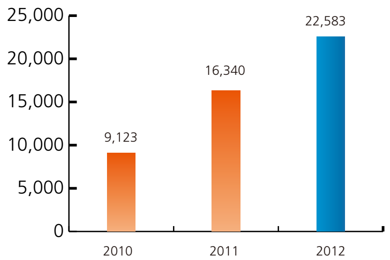
Net profit *(HKD in millions)*



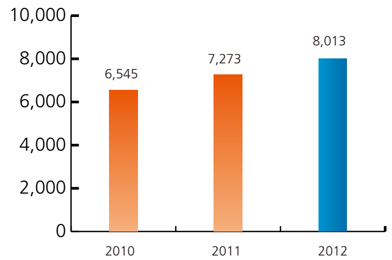
Net Profit Per Tonne *(HKD)*



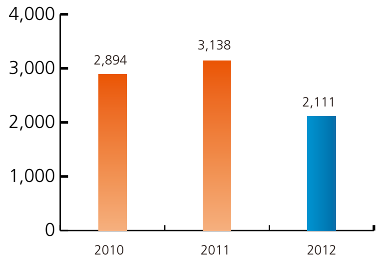
Total Asset *(HKD in millions)*



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 International Financial Reporting Standards ("IFRSs").

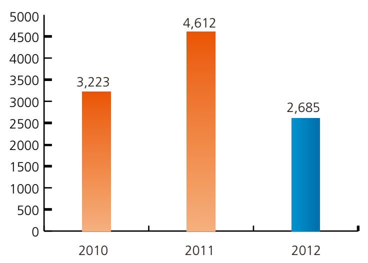
I OVERVIEW

In 2012, the Chinese steel mills cut down their production as steel prices continued to decline under a weak domestic and international economic environment. 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.

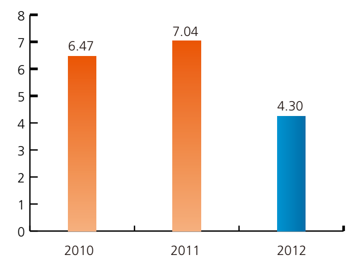
II PROCUREMENT

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 levels 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)*



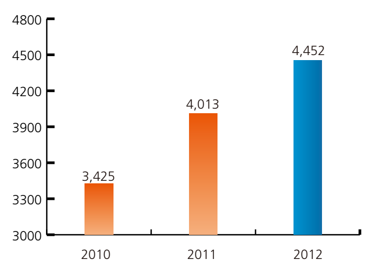
Top Mongolian Suppliers

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

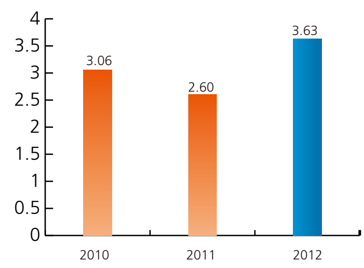
Note: Coal purchased from Moveday was mined by Tavan Tolgoi Corporation. Moveday also provided transportation services amounting to HK$293 million in the year 2012. Our supplier base of Mongolian coal includes many of the major coking coal suppliers in Mongolia.

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.

Seaborne Coal Procurement Amount *(In HKD Millions)*



Seaborne Coal Procurement Volume *(MT)*



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 Coal 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 made considerable 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 for 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 accounted 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 *(Tonnes)*	Average purchase/ production price (Per tonne) *(HK$)*	Total purchase/ production volume *(Tonnes)*	Average purchase/ production price (Per tonne) *(HK$)*	**Total purchase/ production volume *(Tonnes)***	**Average purchase/ production price (Per tonne) *(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 be achieved 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 JV

As of 31 December 2012, the Group has written off its interest in the Peabody-Winsway JV 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 Peabody-Winsway JV 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 Peabody-Winsway JV 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 for lack of an active market for similar transactions. As such, the Group provided full impairment for the carrying amount of its interest in the Peabody-Winsway JV.

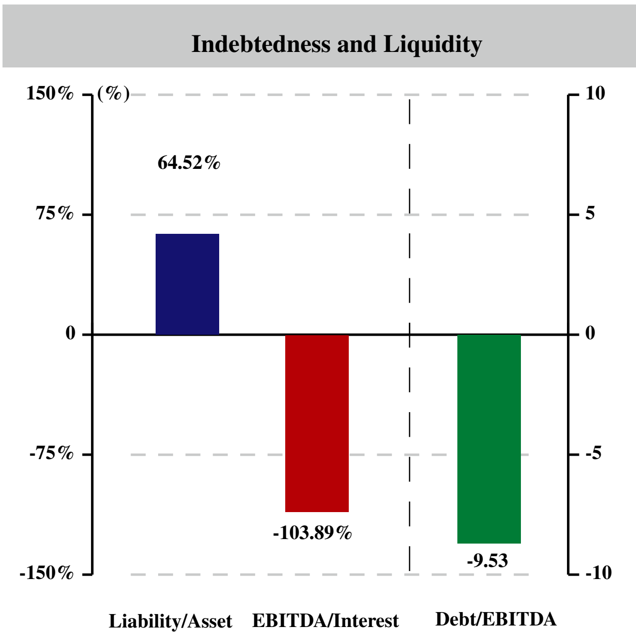
k. Inventory

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, 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, 0925165 B.C. Ltd., GCC and 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.

IX 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 job 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

Overview

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.

Grande Cache:

GCC commits to the safety of all employees and the community in which we operate and believes safety is a shared responsibility of every individual.

GCC has implemented several safety awareness initiatives with training being a key element. During the first week of employment, all new employees are required to attend an extensive safety orientation focusing on health and safety, accident prevention and emergency response.

In 2012 GCC concentrated its efforts in safety related training, including:

- DNV Supervisory Incident Investigation
- Electrical Safety Awareness
- AMSA Supervisor Program
- All three levels of Becoming a Master Instructor through Northern Alberta Institute of Technology.
- ACSA Training (Principals of Health and Safety, Auditor Training)
- Hazmat Awareness and Operations of Hazmat
- CAMS (Central Asset Management System)

GCC commits to maintain a level of first aid and mine rescue certification for the mine rescue and emergency loss prevention teams. These teams practice together on a regular basis in efforts to maintain their skills, work fluently as a team and be ready to attend any emergency that may arise. Trained surface and underground mine rescue teams are in place at all times to respond to any emergency.

A comprehensive emergency response plan was circulated to all departments and implemented in 2012. GCC continues to work towards reviewing and revising the policies and procedures, safe work practices, job hazard assessments and standard operating procedures on an ongoing basis. This is accomplished through joint efforts of everyone including production workers.

The disability management program is a program where workers that are injured on the job can remain at work performing sedimentary tasks. This program aids in the health and wellness of the workers and in their return to regular duties. It is designed to decrease loss days and increase modified work days.

All day to day operations begin with toolbox meetings where crews meet to discuss the days operations, hazards and any safety concerns. Past near misses and incidents are discussed in efforts to correct unsafe acts and conditions. Monthly safety meetings are facilitated by each department and provide a direct method of communication between all departments of GCC.

The efforts of the environment, safety and health team and the cooperation of GCC were recognized in December 2012, when GCC became Certificate of Recognition certified. A Certificate of Recognition is given to employers who develop health and safety programs that meet established standards. GCC met or exceeded industry standards in all components of the audit.

GCC operates to the highest of standards where possible and reasonable by complying with Alberta's Occupational Health and Safety Act, and other relevant regulations, code and its internal policies and procedures.

	2009	2010	2011	2012
Incident Listing				
Near Miss	103	188	166	486
First Aids	40	72	119	127
GCC Medical Aids	19	69	86	78
*LTI	11	11	24	11
**TRI	na	na	110	66
WHS Notifiable	na	na	23	17
WHS Reportable	8	23	2	0
AENV Reportable	46	59	66	57
Stats				
LTI Frequency	3.06	2.13	3.72	1.55
LTI Severity	78.76	24.20	37.23	14.68
TRI Frequency	na	na	17.06	9.32
Lost Time				
Days Lost	283	125	240	104
Modified Work				
Hours	7636	10962	8185.3	13,964
Days	731	1066	770	1361
Total Employees				
GCC Employees	446	630	634	646
Man Hours Worked	758,808	1,032,923	1,289,369.23	1,461,842.66

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.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Wang Xingchun (王興春), aged 49, 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 16 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 38, 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.

Yasuhisa Yamamoto, aged 53, 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.

Ma Li (馬麗), aged 42, 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.

Cui Yong (崔勇), aged 38, 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. Daniel J. Miller, aged 48, was appointed as a non-executive Director on 16 January 2013 to replace Mr. Delbert Lee Lobb, Jr., who resigned on the same date. Mr. Miller has more than 15 years of experience in the banking and finance industry specializing in mining and metals. He has extensive experience in mergers and acquisitions and financing transactions involving mining clients. Mr. Miller is currently the Vice President of Peabody COALTRADE Asia Private Ltd., the Singapore trading office of Peabody. Previously he was a Managing Director in Standard Chartered Bank's Strategic Client Coverage Group, Mining and Metals, Singapore. From 1996 to 2006, Mr. Miller was a Director in Citigroup's Metals & Mining Group, New York. From 1994 to 1996, Mr. Miller worked as a financial analyst at the Equity Research Department of Goldman Sachs & Co., New York, covering metals and mining companies. Mr. Miller graduated from Princeton University, the United States, with a Bachelor's Degree in Germanic Languages and Literatures in 1988, and from Stanford University, the United States, with a Master's Degree in German Studies in 1994.

Liu Qingchun (劉青春), aged 47, 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 (吕川), aged 43, was appointed as a non-executive Director on 18 June 2010. He has extensive experience in business administration, finance and investment. He previously worked in Nonfemet Finance Shenzhen Corporation Ltd. for a number of years and is currently working in Silver Grant, one of our Shareholders and a company listed on the Hong Kong Stock Exchange (Stock Code: 171), as Assistant General Manager and is mainly responsible for its operations relating to financial asset investments. He also acted as a non- executive director of China Ground Source Energy Limited (stock code: 8128), a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange from September 2008 to March 2009. Mr. Lu is currently a director of Shenzhen Zhongqingbao Interaction Network Co., Ltd (formerly known as Shenzhen Zqgame Network Co., Ltd, a company listed on the Growth Enterprise Market of the Shenzhen Stock Exchange). Mr. Lu graduated from the Wuhan University of Technology with a bachelor's degree in Nautical Mechanical Engineering in 1991 and from Huazhong University of Science and Technology with a master's degree and a doctorate degree both in Management Science and Engineering Studies in 1997 and 2006, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

James Bedford Downing III (also known as James Downing), aged 58, 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.

Ng Yuk Keung (吳育強), aged 48, 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 Hong Kong 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

Wang Wenfu (王文福) aged 46, 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 38, was appointed as an independent non-executive Director of our Company on 20 August 2010. Mr. Hambro has been the Chairman and an executive director of IRC Limited, a subsidiary of Petropavlovsk PLC (a company listed on the London Stock Exchange), since June 2010. Mr. Hambro joined Petropavlovsk PLC (then Peter Hambro Mining PLC), as an executive director and the Director of Business Development in 2002 until his resignation in September 2010. In 2006, he became chief executive of Aricom PLC, where he managed and oversaw the iron ore mining businesses at various stages of exploration, development and production. Following the merger of Aricom PLC with Petropavlovsk PLC in April 2009, he became the Chief Investment Officer of Petropavlovsk plc, retaining responsibility for the Industrial Commodities Business of the Petropavlovsk Group. Mr. Hambro was a manager of the metals and mining corporate finance team within HSBC Investment Bank from 2000 to 2003. He began his career in the Resource Banking Division of NM Rothschild & Sons Ltd, working and training in both London and the United States between 1997 and 2000. Mr. Hambro obtained a Bachelor of Arts in Business Management degree from Newcastle University in 1997.

SENIOR MANAGEMENT

Zhu Qingrang (朱慶讓), aged 64, 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.

Di Jingmin (邸京敏), aged 41, is a Vice President responsible for legal and compliance matters, human resources and fixed asset management of our Group. Ms. Di joined Winsway Group in 1995, where she was mainly responsible for investment management. She then became an employee of our Group in 2007 upon our establishment. She is also a director of our subsidiary, Inner Mongolia Haotong, and a Vice President of Beijing Winsway. She graduated from Beijing University of Chemical Technology with a bachelor's degree in management engineering in 1995. Ms. Di also obtained a Master of Laws degree from the Chinese Academy of Social Sciences in 2009.

Xu Changmao (徐昌茂), aged 46, 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 50, 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 39, 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.

Wang Yaxu (王雅旭), aged 41, 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 48, 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 37, 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.

COMPANY SECRETARY

Cao Xinyi (曹欣怡), aged 30, 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 2012.

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 2012 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 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

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

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.

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. Ma Li
Mr. Cui Yong

Non-executive Directors
Mr. Daniel J. Miller
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 2012, 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.

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 29 to 37 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 2012, 4 full board meetings and 2 general meetings were held. The following is the attendance record of each Director in board meetings and general meetings held by the Company during 2012:

Name of Director	Attendance/ Number of general meetings attended	Attendance/ Number of board meetings attended
Executive Directors		
Wang Xingchun	0/2	4/4
Zhu Hongchan	0/2	4/4
Yasuhisa Yamamoto	2/2	4/4
Apolonius Struijk *(Note 2)*	0/2	4/4
Cui Yong	0/2	4/4
Non-executive Directors		
Delbert Lee Lobb, Jr. *(Note 1)*	0/2	4/4
Liu Qingchun	0/2	4/4
Lu Chuan	0/2	4/4
Independent non-executive Directors		
James Downing	0/2	4/4
Ng Yuk Keung	1/2	4/4
Wang Wenfu	0/2	4/4
George Jay Hambro	0/2	4/4

Note1: Mr. Delbert Lee Lobb, Jr. resigned as a non-executive Director on 16 January 2013 and was replaced by Mr. Daniel J. Miller, who was appointed on the same day. For further details, please refer to the Company's announcement dated 17 January 2013.

Note2: Mr. Apolonius Struijk, resigned as an executive Director on 1 April 2013 and was replaced by Ms. Ma Li, who was appointed on the same day. For further details, please refer to the Company's announcement dated 1 April 2013.

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 except for Ms. Ma Li who has entered into a service contract with the Company for an initial term commencing on 1 April 2013 until the next following annual general meeting of the Company at which she will be subject to re-election in accordance with the Memorandum and Ariticles. Each of the non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing on 7 September 2010 except for Mr. Daniel J. Miller who has entered into a letter of appointment with the Company for an initial term commencing on 16 January 2013 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 judgement on the issues relating to the Group's strategy, conflicts of interest, connected transactions and management process in order to ensure that the interests of all Shareholders 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 2012.

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.

On 16 January 2013, Mr. Delbert Lee Lobb, Jr., who is the Chief Operation Officer — Americas of Peabody Energy Corporation, resigned as a non-executive Director in order to focus on his other business commitments. On the same day, Mr. Daniel J. Miller was appointed as a non-executive Director for an initial term commencing from 16 January 2013 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 17 January 2013.

On 1 April 2013, Mr. Apolonius Struijk, resigned as an executive Director to pursue outside interests. On the same day, Ms. Ma Li was appointed as an executive Director for an initial term commencing from 1 April 2013 until the next following annual general meeting of the Company at which she will be subject to re-election. For further details, please refer to the announcement of the Company dated 1 April 2013.

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 2012, 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 2012, 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 attendance records of the audit committee for the year ended 31 December 2012 are set out below:

Name of Director	**Attendance/ Number of Meetings**
Mr. Ng Yuk Keung	4/4
Mr. George Jay Hambro	4/4
Mr. Wang Wenfu	4/4
Mr. James Downing	4/4

AUDITORS' REMUNERATION

For the year ended 31 December 2012, 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	10,069
Audit-related services	—
Non-audit services — tax services	541

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.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

The Company provided each newly appointed Director with formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities from time to time. The Company will arrange training and professional development for Directors as and when necessary. Individual Directors also participated in courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or reading relevant materials.

During the year ended 31 December 2012, the Directors confirmed that they have participated in training and continuous professional development activities and a summary is provided as follows:

Name of Director	Type of continuous professional development programmes
Executive Directors	
Wang Xingchun	1,2,3
Zhu Hongchan	1,2,3
Yasuhisa Yamamoto	1,2,3
Apolonius Struijk	1,2,3
Cui Yong	1,2,3
Non-executive Directors	
Delbert Lee Lobb, Jr	1,2,3
Liu Qingchun	1,2,3
Lu Chuan	1,2,3
Independent non-executive Directors	
James Downing	1,2,3
Ng Yuk Keung	1,2,3
Wang Wenfu	1,2,3
George Jay Hambro	1,2,3

Notes:

1. Reading materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements.

2. Attending seminars / training workshops offered by external professionals and/or experts.

3. Internal group discussions on updates relating to general economy, business trend, corporate governance, directors' duties and the latest development of the Listing Rules and other applicable regulatory requirements.

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 IFRSs. 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 65 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 three independent non-executive Directors, Wang Wenfu (Chairman), Ng Yuk Keung and James Downing. 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 3 meetings during the year ended 31 December 2012, 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 attendance records of the remuneration committee for the year ended 31 December 2012 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Wang Wenfu	3/3
Mr. James Downing	3/3
Mr. Apolonius Struijk *(Note)*	3/3

Note:

Mr. Ng Yuk Keung was appointed as a member of the remuneration committee in place of Mr. Apolonius Struijk, who ceased to be a director of the Company with effect from 1 April 2013.

Details of the Directors' remuneration are set out in note 9 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 2 meeting during the year ended 31 December 2012, 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 attendance records of the nomination and corporate governance committee for the year ended 31 December 2012 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. James Downing	2/2
Mr. Ng Yuk Keung	2/2
Mr. Yasuhisa Yamamoto	2/2

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 currently comprises of one non-executive Director, Daniel J. Miller (Chairman), and two executive Directors, Yasuhisa Yamamoto and Ma Li, and one independent non-executive Director, George Jay Hambro. 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 2 meetings during the year ended 31 December 2012, at which the members of the committee reviewed and discussed health and safety strategy and implementation plan of the Company.

The attendance records of the health and safety and environmental committee for the year ended 31 December 2012 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Delbert Lee Lobb, Jr. *(Note 1)*	2/2
Mr. Yasuhisa Yamamoto	2/2
Mr. Apolonius Struijk *(Note 2)*	2/2

Note:

1. Mr. Daniel J. Miller was appointed as the chairman of the health and safety and environmental committee in place of Mr. Lobb, who ceased to be a director of the Company with effect from 16 January 2013.

2. Ms. Ma Li was appointed as a member of the health and safety and environmental committee in place of Mr. Apolonius Struijk, who ceased to be a director of the Company with effect from 1 April 2013. Mr. George Jay Hambro was appointed as a member of the health and safety and environmental committee as well with effect from 1 April 2013.

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 2012, the Board carried out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to 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 2012, 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.

COMPANY SECRETARY

Ms. Cao Xinyi, the company secretary of the Company, supports the Board and each of the Board committees by ensuring good information flow and that policies and procedures of the Board and the relevant Board committees are followed. Ms. Cao advises the Board on governance matters and facilitates the induction and professional development of Directors. As the company secretary, Ms. Cao also plays an essential role in the relationship between the Company and its Shareholders, including assisting the Board in discharging its obligations to the Shareholders pursuant to the Listing Rules.

In compliance with Rule 3.29 of the Listing Rules, Ms. Cao confirmed that she has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2012.

CONVENING AND PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDRS

According to the Articles of Association, Shareholders who request for the convening of an extraordinary general meeting shall comply with the following procedures:

- General meetings may be convened on the written requisition of any two or more Shareholders deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the nominal value of the issued Shares which carries the right of voting at general meetings of the Company.

- General meetings may also be convened on the written requisition of any one Shareholder which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the nominal value of the issued shares in the Company which carries the right of voting at general meetings of the Company.

- If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

PROCEDURES BY WHICH ENQUIRES MAY BE PUT TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary or relevant personnels by mail to the Company's principal place of business in Hong Kong at the following address:

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

The company secretary and relevant personnels shall, on a regular basis, report the Shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company and where appropriate, respond to such enquiries.

CONSTITUTIONAL DOCUMENTS

The proposed amendments to the Memorandum of Association and Articles of Association of the Company to increase the maximum number of Shares the Company is authorised to issue from 4,000,000,000 Shares to 6,000,000,000 Shares as detailed in the circular to Shareholders dated 25 April 2012 were approved by the Shareholders in accordance with the Memorandum and Articles of Association of the Company during the annual general meeting held on 11 June 2012.

Report of the Directors

Dear Shareholders,

The board of directors of Winsway Coking Coal Holdings Limited hereby presents its report and the audited consolidated financial statements of the Company and its subsidiaries for the year end 31 December 2012 prepared in accordance with IFRSs.

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, providing services to its suppliers and customers through its integrated platform comprising logistics parks, coal processing plants, and road and railway transportation capabilities. After the acquisition of GCC, a Canadian coal company, in conjunction with Marubeni on 1 March 2012, the Group also engages in the production of coking coal. Details of the Company's principal subsidiaries as at 31 December 2012 are set out in note 21 to the financial statements set out in this annual report.

OPERATING RESULTS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 67 in this annual report.

An analysis of the Group's performance for the year is set out in pages 6 to 28 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 73 to 74 of this annual report.

As at 31 December 2012, the reserves available for distribution to the Shareholders of the Company in accordance with the Articles of Association were HK$3,725,535,000 (31 December 2011: HK$4,275,874,000).

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM

The register of members of the Company will be closed from Tuesday, 25 June 2013 to Thursday, 27 June 2013 , 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 Monday, 24 June 2013 .

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 170 of this annual report. The results for each of the two financial years ended 31 December 2008 and 2009, and the assets, liabilities and non-controlling interests as at 31 December 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 2012 are set out in note 16 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 2012 are set out in note 37(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 29 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 2012, sales to the Group's five largest customers accounted for 33.09% of the total revenue of the Group, and sales to the largest customer included therein accounted for 11.57%.

For the year ended 31 December 2012, purchase from the Group's five largest suppliers accounted for 50.42% of the total purchases of the Group, and purchases from the largest supplier included therein accounted for 17.20%.

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.

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 (resigned on 1 April 2013)	Executive Director
Cui Yong	Executive Director
Ma Li (appointed on 1 April 2013)	Executive Director
Non-executive Directors	
Delbert Lee Lobb, Jr. (resigned on 16 January 2013)	Non-executive Director
Daniel J. Miller (appointed on 16 January 2013)	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 29 to 37 in this annual report.

In accordance with Articles 14.18 of the Articles of Association, Mr. Daniel J. Miller, Ms. Ma Li, Mr. Wang Xingchun, Ms. Zhu Hongchan, Mr. Yasuhisa Yamamoto and Mr. Cui Yong 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 except for Ms. Ma Li, who has entered into a service agreement with the Company for an initial term commencing on 1 April 2013 until the next following annual general meeting of the Company at which she will be subject to re-election in accordance with the Memorandum and Articles. 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. Daniel J. Miller, a non-executive Director who has entered into a letter of appointment with the Company for an initial term commencing from 16 January 2013 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 into any service agreements with the Company or any other member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS AND CONTINUING CONNECTED TRANSACTIONS

During the year 2012, the Group had the following transactions with Beijing Winsway Investment and Marubeni, which are connected persons of the Company under the Listing Rules:

(A) Renewal of Lease Agreement entered into between Beijing Winsway and Beijing Winsway Investment;

(B) Marubeni Master Supply Agreement; and

(C) Winsway Master Supply Agreement.

Category I — Continuing Connected Transaction Exempted from Independent Shareholders' Approval

(A) — Renewal of Lease Agreement entered into between Beijing Winsway and Beijing Winsway Investment

The Group is one of the leading suppliers of imported coking coal and particularly, one of the largest off takers of Mongolian coking coal into China. The Group's principal business includes procurement, transportation, storage, processing and marketing of coking coal, servicing the Chinese steel industry at large. Beijing Winsway, an indirectly wholly-owned subsidiary of the Company, has been leasing a portion of 1st Basement Floor and 1st to 4th Floors, 10 Hongda Zhong Road, Beijing Development Area, Beijing, the PRC, plus 10 car parking spaces (the "Premises") from Beijing Winsway Investment, a company indirectly owned by Mr. Wang principally engaged in the trading of petrochemical products, since 1 July 2008 for use as office premises and has practical needs to continue the occupancy of the Premises for use as its principal place of business and head office in the PRC.

On 9 July 2012, Beijing Winsway as tenant and Beijing Winsway Investment as Landlord have entered into a renewed lease agreement in respect of the lease of Premises for a term of one year from 1 July 2012 to 30 June 2013 (the "**New Tenancy Agreement**") upon the expiry of the old lease agreement dated 16 June 2011 (the "**Old Tenancy Agreement**"). Given that the highest applicable percentage ratio calculated with reference to the annual rental payable under the Old Tenancy Agreement is less than 0.1%, the Old Tenancy Agreement was not subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio calculated with reference to the annual rental payable under the New Tenancy Agreement is more than 0.1% but less than 5%, the New Tenancy Agreement is subject to the reporting, annual review and announcement requirements but is exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 9 July 2012.

The annual value of this continuing connected transaction based on the rental payable (excluding utility charges and other outgoings) is RMB6,127,898.80 (equivalent to approximately HK$7,454,860). The negotiation of the terms of the New Tenancy Agreement (including rental) was conducted on an arm's length basis and the rental was determined with reference to the open market rent of similar properties of comparable size and proximity. The Board (including the independent non-executive Directors) considers that the New Tenancy Agreement is entered into in the ordinary and usual course of business of the Group, and the terms contained therein are on normal commercial terms, fair and reasonable, and are in the interests of the Group and the shareholders of the Company as a whole.

The independent non-executive Directors have conducted an annual review on the New Tenancy and have confirmed that the transactions carried out thereunder during the year ended 31 December 2012 have been entered into in accordance with the relevant provisions of such agreement.

Category II — Non-exempted Continuing Connected Transactions

Following the completion of the acquisition of GCC and the re-structuring of its assets and liabilities immediately following the acquisition, GCC became an indirect subsidiary of the Company owned as to 60% by the Company and 40% by Marubeni. By virtue of the indirect 40% interest in GCC, Marubeni is a connected person of the Company at the subsidiary level. Immediately prior to the acquisition of GCC, the Group and GCC had been supplying certain products to the Marubeni Group under their then respective supply arrangement to satisfy the needs of the Marubeni Group for different types of coal, and the Group had been purchasing certain products from the Marubeni Group under the then purchasing arrangement to secure the supply of seaborne coal.

(B) — Marubeni Master Supply Agreement

On 2 March 2012, the Company and Marubeni entered in to the Marubeni Master Supply Agreement for a term commencing on 1 March 2012 and expiring on 31 December 2014, subject to renewal by agreement between the parties upon compliance with the Listing Rules, pursuant to which the relevant member(s) of the Group may from time to time during the term purchase the products in accordance with the terms thereof (the "**Marubeni Products**") from the relevant member(s) of the Marubeni Group. It is expected that the total value of the Marubeni Products to be supplied by the Marubeni Group to the Group for the relevant financial year/period during the term of Marubeni Master Supply Agreement will not exceed the amounts set out below (the "**Purchase Annual Caps**"):

Relevant financial year/period during the term of the Marubeni Master Supply Agreement	Purchase Annual Caps
1 March 2012–31 December 2012	HK$1,364 million
1 January 2013 to 31 December 2013	HK$1,801 million
1 January 2014 to 31 December 2014	HK$1,981 million

The Purchase Annual Caps were arrived at based upon (a) the estimated volume of Marubeni Products required by the Group, taking into account the projected growth in the demand of the Marubeni Products in line with the general growth in the Group's business in the next three years; and (b) the prevailing market prices of such Marubeni Products.

(C) — Winsway Master Supply Agreement

On 2 March 2012, the Company and Marubeni entered in to the Winsway Master Supply Agreement for a term that deemed to have commenced on 1 March 2012 and shall expire on 31 December 2014, subject to renewal by agreement between the parties upon compliance with the Listing Rules, pursuant to which the relevant member(s) of the Marubeni Group may from time to time during the term purchase the products in accordance with the terms thereof (the "**Winsway Products**") from the relevant member(s) of the Group. It is expected that the total value of the Winsway Products to be supplied by the Group to the Marubeni Group for the relevant financial year/period during the term of Winsway Master Supply Agreement will not exceed the amounts set out below (the "**Supply Annual Caps**"):

Relevant financial year/period during the term of the Marubeni Master Supply Agreement	**Supply Annual Caps**
1 March 2012–31 December 2012	HK$1,588 million
1 January 2013 to 31 December 2013	HK$3,095 million
1 January 2014 to 31 December 2014	HK$3,673 million

The Supply Annual Caps were arrived at based upon (a) the estimated volume of Winsway Products to be supplied by the Group to the Marubeni Group, taking into account the increase in the estimated volume of the Winsway Products in line with the general growth in the Group's business in the next three years especially following the acquisition of GCC, and (b) the prevailing market prices of such Winsway Products. For details, please refer to the circular to Shareholders dated 25 April 2012 and note 39(b) to the consolidated financial statements set out in this annual report.

The independent non-executive Directors have reviewed each of the aforesaid continuing connected transactions for the year ended 31 December 2012 (the "CCT Transactions") and confirm that the CCT Transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and

(3) in accordance with each of the relevant agreement governing them and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Further, the Company has engaged its external auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the CCT Transactions set out above in accordance with Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

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 9 to the financial statements set out in this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2012, 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] (resigned on 1 April 2013)	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. On 23 April 2012, Winsway Resources Holdings Limited and Mr. Wang entered into a share sale and purchase agreement with Aluminum Corporation of China Limited (the "Investor"), pursuant to which the Investor conditionally agreed to purchase and Winsway Resources Holdings Limited conditionally agreed to sell 1,128,186,410 Shares representing approximately 29.9% of the issued Shares of the Company as at the date of execution of the agreement. The agreement was terminated by the parties thereto with effect from 28 September 2012. For further details of this transaction, please refer to the announcements of the Company dated 23 April and 28 September 2012.

(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 2012, 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-BASED INCENTIVE SCHEMES

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.

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. A summary of the movements of the outstanding share options during the year ended 31 December 2012 were as follows:

Grantee	Options held as at 1 January 2012	Options exercised during the period	Options lapsed/ cancelled during the period	Options held as at 31 December 2012
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	53,106,463	14,800	256,050	52,835,613
Total	**105,199,463**	**14,800**	**256,050**	**104,928,613**

The weighted average closing price of the shares immediately before the dates on which the options were exercised in 2012 is HK$ 2.30.

Restricted Share Unit Scheme

Under the restricted share unit scheme ("**RSU Scheme**") approved and adopted by the shareholders in general meeting of the Company on 11 Jun 2012, the Company may grant restricted share unit awards ("**RSU Awards**") to directors (including executive directors, non-executive directors and independent non-executive directors), officers and full-time employees of the Company or any of its subsidiaries. An RSU Award gives a participant in the RSU Scheme a conditional right when the RSU Award vests to obtain either Shares (existing Shares in issue or new Shares to be issued by the Company) or an equivalent value in cash with reference to the value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion. The Board may determine the vesting criteria, conditions and the time when the RSU Awards will vest.

The purposes of the RSU Scheme are to retain and motivate its participants to make contributions to the long term growth and profits of the Group with a view to achieving the objective of increasing the value of the Group and to promote a greater alignment of interests between the participants and the shareholders of the Company. The Board will select participants to receive RSU Awards under the RSU Scheme at its discretion.

During the year ended 31 December 2012, no RSU Awards were granted by the Company under the RSU Scheme.

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 2012, 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 Corporatio	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	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. On 23 April 2012, Winsway Resources Holdings Limited and Mr. Wang entered into a share sale and purchase agreement with Aluminum Corporation of China Limited (the "Investor"), pursuant to which the Investor conditionally agreed to purchase and Winsway Resources Holdings Limited conditionally agreed to sell 1,128,186,410 Shares representing approximately 29.9% of the issued Shares of the Company as at the date of execution of the agreement. The agreement was terminated by the parties thereto with effect from 28 September 2012. For further details of this transaction, please refer to the announcements of the Company dated 23 April and 28 September 2012.

(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 2012, 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

Save as disclosed in this annual report, 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.

Save a disclosed in this annual report, 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 consolidated financial statements of the Group for the year ended 31 December 2012.

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 2012.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the CG Code. Throughout the year ended 31 December 2012, 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 38 to 49 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 39 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 2012, the Company had a total of 3,773,198,693 Shares in issue.

During the year ended 31 December 2012, the Company repurchased an aggregate of US$37,500,000 in principal amount of the senior notes issued in April 2011 on the Singapore Exchange Securities Trading Limited for a total consideration of US$29,808,000.

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 2012.

UPDATE ON DIRECTORS' INFORMATION

In July 2012, Mr. Ng Yuk Keung resigned as an executive director, the chief financial officer and the company secretary of China NT Pharma Group Company Limited (stock code: 1011), a company listed on the Hong Kong Stock Exchange and was appointed chief financial officer of Kingsoft Corporation Limited (stock code: 3888), a company listed on the Hong Kong Stock Exchange a position he currently holds.

AUDITORS

The Company has appointed KPMG as auditors of the Company for the year ended 31 December 2012. 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 2013.

On behalf of the Board
Wang Xingchun
Chairman

28 March 2013

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 67 to 164, which comprise the consolidated and company statements of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

Independent Auditor's Report (Continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's loss 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

28 March 2013

Consolidated Income Statement

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

	Note	**2012** **$'000**	2011 $'000
Turnover	4	**12,387,405**	11,610,413
Cost of sales		**(12,806,100)**	(9,413,413)
Gross (loss)/profit		**(418,695)**	2,197,000
Other revenue	5	**28,292**	131,075
Distribution costs		**(261,491)**	(354,652)
Administrative expenses		**(601,272)**	(427,969)
Other operating expenses, net	6	**(11,576)**	(3,748)
(Loss)/profit from operating activities		**(1,264,742)**	1,541,706
Finance income	7(a)	**186,832**	315,867
Finance costs	7(a)	**(813,956)**	(406,275)
Net finance costs		**(627,124)**	(90,408)
Share of loss of a jointly controlled entity		**(35,510)**	(28,462)
Impairment of interest in a jointly controlled entity	22	**(323,616)**	—
(Loss)/profit before taxation	7	**(2,250,992)**	1,422,836
Income tax	8	**336,000**	(371,079)
(Loss)/profit for the year		**(1,914,992)**	1,051,757
Attributable to:			
Equity shareholders of the Company	11	**(1,619,536)**	1,051,003
Non-controlling interests		**(295,456)**	754
(Loss)/profit for the year		**(1,914,992)**	1,051,757
(Loss)/earnings per share *(HK$)*	13		
— Basic		**(0.429)**	0.278
— Diluted		**(0.429)**	0.275

The notes on pages 77 to 164 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 37(b).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012** **$'000**	2011 $'000
(Loss)/profit for the year		**(1,914,992)**	1,051,757
Other comprehensive income for the year (after tax adjustments):	12		
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

The notes on pages 77 to 164 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2012

(Expressed in Hong Kong dollars)

	Note	**2012**	2011
		$'000	*$'000*
Non-current assets			
Property, plant and equipment, net	16	**3,776,522**	1,292,504
Construction in progress	17	**375,014**	335,326
Lease prepayments	18	**450,559**	361,342
Intangible assets	19	**6,728,662**	2,518
Goodwill	20	**459,623**	—
Interest in a jointly controlled entity	22	**—**	359,915
Other investments in equity securities	23	**395,738**	395,186
Other non-current assets	24	**219,399**	1,100,908
Deferred tax assets	35(b)	**451,091**	77,194
Total non-current assets		**12,856,608**	3,924,893
Current assets			
Inventories	25	**2,444,261**	3,935,871
Trade and other receivables	26	**4,167,372**	3,807,561
Assets held for sale	14	**23,185**	—
Trading securities		**—**	3,183
Restricted bank deposits	27	**980,535**	1,590,504
Cash and cash equivalents	28	**2,110,823**	3,137,752
Total current assets		**9,726,176**	12,474,871
Current liabilities			
Secured bank loans	29	**1,783,606**	660,925
Trade and other payables	34	**4,816,347**	4,316,503
Obligations under finance lease	32	**152,332**	—
Income tax payable	35	**83,646**	171,988
Liabilities held for sale	14	**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

The notes on pages 77 to 164 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

at 31 December 2012

(Expressed in Hong Kong dollars)

	Note	**2012**	2011
		$'000	*$'000*
Non-current liabilities			
Secured bank loans	29	**2,452,125**	65,376
Senior notes	30	**3,521,004**	3,797,772
Deferred income	31	**162,857**	114,079
Obligations under finance lease	32	**271,463**	–
Deferred tax liabilities	35(b)	**1,103,732**	–
Provisions	36	**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	37(c)	**4,992,337**	4,992,291
Reserves	37(g)	**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

Approved and authorised for issue by the board of directors on 28 March 2013.

WANG XING CHUN)
) Directors
YASUHISA YAMAMOTO)

The notes on pages 77 to 164 form part of these financial statements.

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	16	**182**	245
Interests in subsidiaries	21	**7,806,144**	6,153,749
Other non-current assets	24	**186,034**	1,027,839
Total non-current assets		**7,992,360**	7,181,833
Current assets			
Trade and other receivables	26	**71,226**	65,620
Trading securities		**—**	3,183
Cash and cash equivalents	28	**202,786**	919,364
Total current assets		**274,012**	988,167
Current liabilities			
Trade and other payables	34	**1,019,031**	95,549
Income tax payable	35	**802**	805
Total current liabilities		**1,019,833**	96,354
Net current (liabilities)/assets		**(745,821)**	891,813
Total assets less current liabilities		**7,246,539**	8,073,646

The notes on pages 77 to 164 form part of these financial statements.

Statement of Financial Position (Continued)

at 31 December 2012

(Expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Non-current liabilities			
Senior notes	30	**3,521,004**	3,797,772
Total non-current liabilities		**3,521,004**	3,797,772
NET ASSETS		**3,725,535**	4,275,874
CAPITAL AND RESERVES	37(a)		
Share capital		**4,992,337**	4,992,291
Reserves		**(1,266,802)**	(716,417)
TOTAL EQUITY		**3,725,535**	4,275,874

Approved and authorised for issue by the board of directors on 28 March 2013.

WANG XING CHUN)
) Directors
YASUHISA YAMAMOTO)

The notes on pages 77 to 164 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
		Share capital	**Statutory reserve**	**Other reserve**	**Exchange reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	Note	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
		(note 37(c))	*(note 37(g))*	*(note 37(g))*	*(note 37(g))*				
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 shareholders of the Company	37(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 77 to 164 form part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
	Note	**Share capital** *$'000* *(note 37(c))*	**Statutory reserve** *$'000* *(note 37(g))*	**Other reserve** *$'000* *(note 37(g))*	**Exchange reserve** *$'000* *(note 37(g))*	**Retained earnings/ (accumulated loss)** *$'000*	**Total** *$'000*	**Non-controlling interests** *$'000*	**Total equity** *$'000*
Balance at 1 January 2012		4,992,291	314,264	85,865	180,324	1,658,191	7,230,935	42,186	7,273,121
Exercise of share options granted under share option scheme		46	—	(21)	—	—	25	—	25
Contribution from non-controlling interests	15	—	—	—	—	—	—	2,655,413	2,655,413
Dividends declared and paid to the equity shareholders of the Company	37(b)	—	—	—	—	(60,371)	(60,371)	—	(60,371)
Equity settled share-based transactions		—	—	25,373	—	—	25,373	—	25,373
Total comprehensive income for the year		—	—	—	20,555	(1,619,536)	(1,598,981)	(281,990)	(1,880,971)
Appropriation to statutory reserve		—	5,046	—	—	(5,046)	—	—	—
Balance at 31 December 2012		4,992,337	319,310	111,217	200,879	(26,762)	5,596,981	2,415,609	8,012,590

The notes on pages 77 to 164 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Operating activities			
(Loss)/profit before taxation		**(2,250,992)**	1,422,836
Adjustments for:			
Depreciation		**302,809**	70,294
Amortisation of lease prepayments		**9,180**	5,723
Amortisation of intangible assets		**138,413**	85
Interest income		**(88,809)**	(108,193)
Interest expense		**783,825**	382,281
Fair value change of derivative financial instruments		**2,215**	9,205
Net (gain)/loss on trading securities		**(452)**	1,251
Equity settled share-based transactions		**25,373**	44,111
Loss on disposal of property, plant and equipment		**6,947**	625
Share of loss of a jointly controlled entity		**35,510**	28,462
Impairment of interest in a jointly controlled entity		**323,616**	—
Transaction costs for the acquisition of Grande Cache Coal Corporation		**62,042**	—
Gain on repurchase of senior notes		**(55,601)**	—
Foreign exchange gain, net		**(42,422)**	(207,674)
		(748,346)	1,649,006
Decrease/(increase) in inventories		**1,839,515**	(1,963,314)
Increase in trade and other receivables		**(191,373)**	(1,710,293)
Increase in trade and other payables		**204,649**	2,732,205
Income tax paid		**(148,369)**	(331,206)
Net cash generated from operating activities		**956,076**	376,398
Investing activities			
Payment for purchase of property, plant and equipment, construction in progress, lease prepayments and intangible assets		**(420,273)**	(642,591)
Government grants received		**44,221**	12,049
Proceeds from sales of property, plant and equipment		**35,901**	27,646
Deposits made for the acquisition of Grande Cache Coal Corporation		**—**	(779,231)
Acquisition of Grande Cache Coal Corporation, net of cash acquired *(note 15)*		**(6,753,176)**	—

The notes on pages 77 to 164 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2012

(Expressed in Hong Kong dollars)

	Note	**2012** **_$'000_**	2011 *$'000*
Payment of transaction costs for the acquisition of Grande Cache Coal Corporation, including transaction costs incurred by GCC prior to acquisition		**(384,842)**	—
Repayment of loan from a third party		**62,056**	—
Interest received		**92,878**	86,463
Decrease/ (increase) in restricted bank deposits		**767,202**	(1,246,442)
Payment for investment in trading securities		**—**	(4,434)
Proceeds from disposal of investment in trading securities		**3,635**	—
Payment for purchase of investments in equity securities		**—**	(295,161)
Payment for investment in a jointly controlled entity		**—**	(25,421)
Net cash used in investing activities		**(6,552,398)**	(2,867,122)
Financing activities			
Proceeds from bank loans		**12,601,925**	7,052,906
Repayment of bank loans		**(9,140,287)**	(7,423,912)
Capital element of finance lease rentals paid		**(99,422)**	—
Interest paid		**(723,961)**	(293,178)
Dividends paid	37(b)	**(60,371)**	(432,764)
Payment of shares issuing expense		**—**	(47,241)
Payment for repurchase of shares		**—**	(30,553)
Proceeds from issue of senior notes		**—**	3,787,809
Payment for repurchase of senior notes		**(231,673)**	—
Proceeds from exercise of share options		**25**	4,604
Contribution from non-controlling interests		**2,214,445**	9,523
Net cash generated from financing activities		**4,560,681**	2,627,194
Net (decrease)/increase in cash and cash equivalents		**(1,035,641)**	136,470
Cash and cash equivalents at 1 January	28(a)	**3,137,752**	2,894,421
Effect of foreign exchange rate changes		**8,712**	106,861
Cash and cash equivalents at 31 December	28(a)	**2,110,823**	3,137,752

The notes on pages 77 to 164 form part of these financial statements.

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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These 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 of Hong Kong Limited. 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 2(c) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) 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 as explained in the accounting policies set out below:

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

— Derivative financial instruments (see note 2(h)); and

— Trading securities (see note 2(g)).

Disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(y)).

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

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

Judgements made by management in the application of IFRSs that have significant effect on these 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$"), which is different from the functional currency of the Company and its principal subsidiaries. The Company's functional currency is United Stated dollars ("US$"). 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) Changes in accounting policies

The IASB 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 IFRS 7, Financial instruments: Disclosures — Transfers of financial assets, is relevant to the Group's financial statements. The amendments to IFRS 7 require certain disclosures to be included in the annual financial statements in respect of 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.

(d) 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.

(d) Subsidiaries and non-controlling interests *(Continued)*

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(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 and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in a jointly controlled entity (see note 2(e)).

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

(e) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes 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(f) and (m)). 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.

(e) Jointly controlled entities *(Continued)*

When the Group's share of losses exceeds its interest in a 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.

When the Group ceases to have a joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, investment in a jointly controlled entity is stated at cost less impairment losses (see note 2(m)).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree 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(m)).

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) 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 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) and (v).

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(m)).

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

(h) 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.

(i) Exploration and evaluation expenditures

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditures include costs which are directly attributable to researching and analyzing historic exploration data, conducting topographical, geological, geochemical and geophysical studies as well as exploratory drilling, trenching and sampling. In addition, costs incurred to prove the technical feasibility and commercial viability of resources found are included.

(i) Exploration and evaluation expenditures *(Continued)*

Expenditure during the initial exploration stage of a project is charged to profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets.

Once the technical feasibility and commercial viability of the extraction of proven and probable mineral reserves in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and reclassified to "Mineral assets" within property, plant and equipment. When a project is abandoned, the related irrecoverable costs are written off to profit or loss immediately.

(j) Property, plant and equipment

(i) Mineral assets

Mineral assets include the capitalised costs directly attributable to the development and construction of mines (including amounts transferred from exploration and evaluation assets), capitalised stripping costs and assets recognised for the restoration obligations of the mining operations (see note 2 (u) (iii)).

Costs directly attributable to the development and construction of mines (including amounts transferred from exploration and evaluation assets), are capitalised when the expenditures will provide future benefits to the Group.

When proven and probable coal reserves have been determined, stripping costs incurred to develop coal mines are capitalised as part of the cost of the mineral assets. Stripping costs incurred during the production phase are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping costs would be capitalised into property, plant and equipment as mineral assets. Future benefits arise when stripping activity increases the future output of the mine by providing access to a new ore body.

Mineral assets, are depreciated on the units-of-production method utilising only proven and probable coal reserves in the depletion base.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Property, plant and equipment *(Continued)*

(ii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(m)).

Construction in progress represents other 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(m)). 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 items of other property, plant and equipment 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 other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other 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	3 to 20 years
Motor vehicles	4 to 5 years
Office and other equipment	2 to 10 years
Railway special assets	8 to 50 years

Where parts of an item of other property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Intangible assets

(i) Mining rights

The cost of mining rights acquired in a business combination is their fair value as at the date of acquisition. Following the initial recognition, mining rights are stated at cost less accumulated amortisation and impairment losses (see note 2(m)).

Mining rights are amortised on the units-of-production method utilising only proven and probable coal reserves in the depletion base.

(ii) Other intangible assets

Other 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(m)). Amortisation is recognised in profit or loss on a straight-line basis over the assets' useful lives. The following other intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	10 years

Both the period and method of amortisation are reviewed annually.

(l) Leased assets

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

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(m). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) 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 assets. 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.

The cost of acquiring land held under an operating lease (land use rights) is amortised on a straight-line basis over the period of the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Impairment of assets

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

Investments in equity securities and trade and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of the reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

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

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

- For investment in subsidiaries and the jointly controlled entity recognised using the equity method (see note 2(e)), 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(m)(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(m)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Impairment of assets *(Continued)*

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

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

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Impairment of assets *(Continued)*

(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; and
- goodwill.

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

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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).

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

- 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(m)(i) and (ii)).

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

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) 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.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(m)), 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.

(p) 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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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 year 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 relevant jurisdictions are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the other reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the other reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the other reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the other reserve until either the option is exercised (when it is transferred to the share capital account) or the option expires (when it is released directly to retained earnings).

(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.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) Income tax *(Continued)*

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

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

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

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

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

- the same taxable entity; or

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(u) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(iii) Restoration provisions

The Group's obligations for restoration consist of spending estimates at its mines in accordance with the relevant rules and regulations in respective jurisdictions. The Group estimates its liabilities for final restoration and mine closure based upon detailed calculations of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final restoration and mine closure, which is included in the mineral assets. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of restoration activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Revenue recognition *(Continued)*

(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) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

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

(vi) 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 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

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, including goodwill arising on consolidation of foreign operations acquired, 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(y) Disposal group held for sale

A disposal group is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the disposal group is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of all individual assets and liabilities in a disposal group is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current asset (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits and financial assets. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is included in a disposal group that is classified as held for sale, it is not depreciated or amortised.

(z) 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.

(z) Related parties *(Continued)*

(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).

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.

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

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

(i) Depreciation

Property, plant and equipment other than mineral assets 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.

Estimated recoverable reserves are used in determining the depreciation of mineral assets. This results in a depreciation charge that is proportional to the depletion of the anticipated remaining life of mine production. Each mineral asset's life, which is assessed annually, considers its physical life limitations and the present assessments of economically recoverable reserves of the mine property to which the asset relates. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditures. Changes are accounted for prospectively.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

(ii) Mineral reserves estimates

Engineering estimates of the Group's mineral reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. Reserve estimates are updated at regular basis and have taken into account recent production and technical information about the relevant mineral deposit. In addition, as prices and cost levels change from year to year, the estimate of mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation and amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment loss. Depreciation and amortisation rates are determined based on estimated mineral reserve quantity (the denominator) and capitalised costs of mineral assets (the numerator). The capitalised costs of mineral assets are depreciated and amortised based on the units produced.

(iii) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Group. It requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

(iv) Mine decommissioning and restoration

The estimation of the liabilities for final restoration and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of restoration and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of restoration activities), the revisions to the obligation will be recognised at the appropriate discount rate.

(v) Impairment of assets including goodwill

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

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value, which requires significant judgement relating to level of sale volume, selling price and amount of production 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 judgement 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.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

(vi) Income taxes

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

(vii) 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.

(viii) 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 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).

Details of concentration of credit risk arising from the largest and the largest five customers are set out in note 38(a).

(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.

4 TURNOVER AND SEGMENT REPORTING *(CONTINUED)*

(ii) Segment reporting *(Continued)*

- 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 (see note 22) 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 (see note 15).

- 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 (loss)/profit is "adjusted EBITDA" i.e. "adjusted (loss)/earnings before interest, taxes, depreciation and amortisation", where "depreciation and amortisation" is regarded as including impairment losses on non-current assets.

4 TURNOVER AND SEGMENT REPORTING *(CONTINUED)*

(ii) Segment reporting *(Continued)*

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

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

4 TURNOVER AND SEGMENT REPORTING *(CONTINUED)*

(ii) Segment reporting *(Continued)*

(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

4 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 asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in a jointly controlled entity.

	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 OTHER REVENUE

		2012	2011
		$'000	*$'000*
Revenue from trading arrangement and related services	(i)	**—**	54,138
Government grants		**28,292**	48,201
Compensation from a coking coal supplier	(ii)	**—**	28,736
		28,292	131,075

(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 $54,138,000. The Group did not earn any such revenue during the year ended 31 December 2012.

(ii) During the year ended 31 December 2011, the Group has received a compensation, net of associated costs incurred by the Group, of $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. The Group did not earn any such revenue during the year ended 31 December 2012.

6 OTHER OPERATING EXPENSES, NET

	2012	2011
	$'000	*$'000*
Loss on disposal of property, plant and equipment	**6,947**	625
Net (gain)/loss on trading securities	**(452)**	1,251
Others	**5,081**	1,872
	11,576	3,748

7 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2012	2011
	$'000	*$'000*
Interest income	**(88,809)**	(108,193)
Gains on repurchase of Senior Notes *(note 30)*	**(55,601)**	—
Foreign exchange gain, net*	**(42,422)**	(207,674)
Finance income	**(186,832)**	(315,867)
Interest on secured bank and other loans wholly repayable within five years	**303,357**	81,334
Interest on discounted bills	**122,714**	51,895
Interest on Senior Notes *(note 30)*	**328,769**	253,477
Interest on finance lease obligations	**37,724**	—
Less: interest expense capitalised into construction in progress**	**(8,739)**	(4,425)
Total interest expense	**783,825**	382,281
Bank charges	**27,916**	14,789
Fair value change of derivative financial instruments	**2,215**	9,205
Finance costs	**813,956**	406,275
Net finance costs	**627,124**	90,408

* 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.

** The borrowing costs have been capitalised as a rate of 6.00 - 8.28% per annum (2011: 5.60 - 8.28%).

7 (LOSS)/PROFIT BEFORE TAXATION *(CONTINUED)*

(b) Staff costs#

	2012	2011
	$'000	*$'000*
Salaries, wages, bonus and other benefits	**758,139**	230,807
Contributions to defined contribution retirement plan	**18,516**	9,276
Equity-settled share-based payment expenses *(note 33)*	**25,373**	44,111
	802,028	284,194

Staff costs included directors' remuneration (see note 9).

(c) Other items

	2012	2011
	$'000	*$'000*
Amortisation#		
— leased assets	**9,180**	5,723
— intangible assets	**138,413**	85
	147,593	5,808
Depreciation#	**302,809**	70,294
Operating lease charges, mainly relating to buildings	**41,453**	31,277
Auditors' remuneration		
— audit services	**11,710**	9,002
— tax services	**541**	450
	12,251	9,452
Cost of inventories#	**12,757,360**	9,413,413

\# Cost of inventories includes $507,495,000 (2011: $52,477,000), $179,678,000 (2011: $39,117,000) and $137,786,000 (2011: nil) for the year ended 31 December 2012 relating to staff costs, depreciation and amortisation which amount is also included in the respective total amount disclosed separately above or in note 7(b) for each type of these expenses.

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012 **$'000**	2011 *$'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 **$'000**	2011 *$'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

9 DIRECTORS' REMUNERATION

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

	2012			
	Directors' fees	**Salaries, allowances and benefits in kind**	**Equity settled share-based payments**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Executive directors				
Wang Xingchun	—	12,483	4,009	16,492
Cui Yong	—	2,956	1,904	4,860
Zhu Hongchan	—	6,989	2,392	9,381
Yasuhisa Yamamoto	—	6,710	1,866	8,576
Apolonius Struijk	—	6,710	1,877	8,587
Non-executive directors				
Cui Guiyong (resigned on 16 January 2012)	—	—	—	—
Liu Qingchun	—	—	—	—
Lu Chuan	—	—	—	—
Delbert Lee Lobb, Jr. (appointed on 16 January 2012 and resigned on 16 January 2013)	—	—	—	—
Daniel J. Miller. (appointed on 16 January 2013)	—	—	—	—
Independent non-executive directors				
James Downing	1,551	—	—	1,551
Ng Yuk Keung	1,551	—	—	1,551
Jay Hambro	1,551	—	—	1,551
Wang Wenfu	1,551	—	—	1,551
Total	6,204	35,848	12,048	54,100

9 DIRECTORS' REMUNERATION *(CONTINUED)*

	2011			
	Directors' fees	Salaries, allowances and benefits in kind	Equity settled share- based payments	Total
	$'000	*$'000*	*$'000*	*$'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 and resigned on 16 January 2013)	—	—	—	—
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

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2011: four) are directors whose emoluments are disclosed in note 9. During the year ended 31 December 2012, the aggregate of the emoluments in respect of the other two individuals were as follow:

	2012	2011
	$'000	*$'000*
Salaries and other emoluments	**13,988**	4,970
Share-based payments	**3,780**	3,297
	17,768	8,267

During the year ended 31 December 2012, the emoluments of the two (2011:one) individuals with the highest emoluments were within the following bands:

	2012	2011
	Number of individuals	Number of individuals
$8,000,000 to $8,500,000	**—**	1
$8,500,000 to $9,000,000	**2**	—

11 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of $505,431,000 (2011: 246,598,000) (note 37(a)) 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 37(b).

12 OTHER COMPREHENSIVE INCOME

Other comprehensive income does not have any tax effect for the year ended 31 December 2012 (2011: Nil).

13 (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:

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

	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 *(note 33)**	**—**	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.

14 DISPOSAL GROUP HELD FOR SALE

Certain assets together with relevant liabilities of the Group within the processing and trading of coking coal and related products segment are presented as a disposal group held for sale following the commitment of the Group's management in June 2012 to a plan to sell the disposal group to a third party. Efforts to sell the disposal group have commenced, and a sale is expected to happen in the first half of 2013.

As at 31 December 2012, the disposal group comprised assets of $23,185,000 less liabilities of $63,000 detailed as follows:

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

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

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

15 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 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 year 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.

15 ACQUISITION OF A SUBSIDIARY *(CONTINUED)*

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

	Fair value *$'000*
Property, plant and equipment	2,451,378
Construction in progress	19,588
Intangible assets	6,826,461
Inventories	347,905
Trade and other receivables	168,220
Restricted bank deposits	157,233
Cash and cash equivalents	171,287
Trade and other payables	(655,044)
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.

15 ACQUISITION OF A SUBSIDIARY *(CONTINUED)*

(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

16 PROPERTY, PLANT AND EQUIPMENT, NET

(a) The Group

	Buildings $'000	Plant and machinery $'000	Mineral assets $'000	Railway special assets $'000	Motor vehicles $'000	Office and other equipment $'000	Total $'000
Cost:							
At 1 January 2011	299,119	138,002	—	—	69,072	32,468	538,661
Additions	—	24,646	—	4,241	15,729	14,906	59,522
Transferred from construction in progress *(note 17)*	312,043	214,232	—	259,003	—	6,671	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	—	6,249	2,535	1,188	43,460
At 31 December 2011	635,736	402,574	—	269,493	63,501	58,857	1,430,161
At 1 January 2012	635,736	402,574	—	269,493	63,501	58,857	1,430,161
Acquisition of a subsidiary *(note 15)*	169,853	2,268,694	860,423	—	—	—	3,298,970
Additions	9,615	1,350	73,002	15,743	40,833	5,548	146,091
Transferred from construction in progress *(note 17)*	89,120	60,298	17,347	22,665	—	1,653	191,083
Reclassification	16,242	(90,346)	—	—	73,771	333	—
Disposals	(6,755)	(2,884)	—	—	(5,863)	(7,854)	(23,356)
Reclassified to disposal group held for sale	—	—	—	—	(418)	(11)	(429)
Exchange adjustments	1,058	10,990	4,239	537	379	262	17,465
At 31 December 2012	914,869	2,650,676	955,011	308,438	172,203	58,788	5,059,985

16 PROPERTY, PLANT AND EQUIPMENT, NET *(CONTINUED)*

(a) The Group *(Continued)*

	Buildings	Plant and machinery	Mineral assets	Railway special assets	Motor vehicles	Office and other equipment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Accumulated depreciation							
At 1 January 2011	20,816	17,870	—	—	16,770	9,278	64,734
Charge for the year	18,738	27,908	—	357	13,061	10,230	70,294
Reclassification	408	4,303	—	—	(5,296)	585	—
Written back on disposal	—	(655)	—	—	(988)	(87)	(1,730)
Exchange adjustments	1,035	1,574	—	9	1,117	624	4,359
At 31 December 2011	40,997	51,000	—	366	24,664	20,630	137,657
At 1 January 2012	40,997	51,000	—	366	24,664	20,630	137,657
Acquisition of a subsidiary *(note 15)*	25,338	550,392	271,862	—	—	—	847,592
Charge for the year	40,479	190,128	20,641	6,823	30,634	14,104	302,809
Reclassification	2,420	(14,050)	—	—	12,626	(996)	—
Written back on disposal	(324)	(1,795)	—	—	(3,913)	(2,867)	(8,899)
Reclassified to disposal group held for sale	—	—	—	—	(109)	(4)	(113)
Exchange adjustments	219	2,683	1,346	21	119	29	4,417
At 31 December 2012	109,129	778,358	293,849	7,210	64,021	30,896	1,283,463
Net book value:							
At 31 December 2012	805,740	1,872,318	661,162	301,228	108,182	27,892	3,776,522
At 31 December 2011	594,739	351,574	—	269,127	38,837	38,227	1,292,504

At 31 December 2012, property, plant and equipment of the Group of $20,650,000 (2011: nil) have been pledged as collateral for the Group's borrowings (see note 29).

16 PROPERTY, PLANT AND EQUIPMENT, NET *(CONTINUED)*

(b) The Company

	Motor vehicles *$'000*	Office and other equipment *$'000*	Total *$'000*
Cost:			
At 1 January 2011	—	35	35
Additions	279	—	279
At 31 December 2011	279	35	314
At 1 January 2012	279	35	314
At 31 December 2012	279	35	314
Accumulated depreciation:			
At 1 January 2011	—	6	6
Charge for the year	56	7	63
At 31 December 2011	56	13	69
At 1 January 2012	56	13	69
Charge for the year	56	7	63
At 31 December 2012	112	20	132
Net book value:			
At 31 December 2012	167	15	182
At 31 December 2011	223	22	245

16 PROPERTY, PLANT AND EQUIPMENT, NET *(CONTINUED)*

(c) The analysis of net book value of properties

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	$'000	*$'000*	*$'000*	*$'000*
The PRC (including Hong Kong and Macau)	1,348,959	1,285,763	182	245
Canada	2,425,904	—	—	—
Mongolia	—	3,917	—	—
Other countries	1,659	2,824	—	—
Aggregate net book value	3,776,522	1,292,504	182	245

As at 31 December 2012, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to $234,307,000 (2011: $193,656,000). 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.

(d) Fixed assets held under finance leases

The Group leases plant and machinery under finance leases expiring from 1 to 5 years. At the end of the lease term the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

During the year, additions to plant and machinery of the Group financed by new finance leases (excluding addition from the acquisition of GCC) were $606,000 (2011: nil). At the end of the reporting period, the net book value of plant and machinery held under finance leases of the Group was $731,949,000 (2011: nil).

17 CONSTRUCTION IN PROGRESS

	The Group	
	2012	2011
	$'000	*$'000*
At 1 January	**335,326**	281,879
Acquisition of a subsidiary	**19,588**	—
Additions	**213,130**	831,844
Transferred to property, plant and equipment *(note 16)*	**(191,083)**	(791,949)
Reclassified to disposal group held for sale *(note 14)*	**(1,981)**	—
Exchange adjustments	**34**	13,552
At 31 December	**375,014**	335,326

18 LEASE PREPAYMENTS

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

	The Group	
	2012	2011
	$'000	*$'000*
Cost:		
At 1 January	**370,222**	207,352
Additions	**118,868**	149,706
Reclassified to disposal group held for sale *(note 14)*	**(21,639)**	—
Exchange adjustments	**444**	13,164
At 31 December	**467,895**	370,222

	2012	2011
	$'000	*$'000*
Accumulated amortisation:		
At 1 January	**8,880**	2,568
Charge for the year	**9,180**	5,723
Reclassified to disposal group held for sale *(note 14)*	**(751)**	—
Exchange adjustments	**27**	589
At 31 December	**17,336**	8,880
Net book value:		
At 31 December	**450,559**	361,342

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 2012, land use rights with a total carrying amount of $26,758,000 (2011: $83,855,000) have been pledged as collateral for the Group's borrowings (see note 29).

19 INTANGIBLE ASSETS

The Group

	Mining rights	Software	Total
	$'000	*$'000*	*$'000*
Cost:			
At 1 January 2011	—	1,648	1,648
Additions	—	2,304	2,304
Exchange adjustments	—	64	64
At 31 December 2011	—	4,016	4,016
At 1 January 2012	—	4,016	4,016
Acquisition of a subsidiary *(note 15)*	6,826,461	—	6,826,461
Additions	—	3,821	3,821
Exchange adjustments	34,166	11	34,177
At 31 December 2012	6,860,627	7,848	6,868,475
Accumulated Amortisation:			
At 1 January 2011	—	1,411	1,411
Charge for the year	—	85	85
Exchange adjustments	—	2	2
At 31 December 2011	—	1,498	1,498
At 1 January 2012	—	1,498	1,498
Charge for the year	137,786	627	138,413
Exchange adjustments	(99)	1	(98)
At 31 December 2012	137,687	2,126	139,813
Net book value:			
At 31 December 2012	6,722,940	5,722	6,728,662
At 31 December 2011	—	2,518	2,518

20 GOODWILL

	$'000
Cost/carrying amount:	
At 1 January 2011, 31 December 2011 and 1 January 2012	—
Acquisition of a subsidiary *(note 15)*	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 reflects 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 exceed its recoverable amount.

21 INTERESTS IN SUBSIDIARIES

	The Company	
	2012	2011
	$'000	*$'000*
Unlisted shares, at cost	**421,190**	422,243
Amounts due from subsidiaries*	**7,781,317**	5,731,506
Impairment loss#	**(396,363)**	—
	7,806,144	6,153,749

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

\# The impairment loss is mainly related to the Company's interest in a subsidiary, whose sole activity is investment holding in equity interest in Peabody-Winsway Resources B.V.. As the Group has provided for impairment loss for its interest in Peabody-Winsway B.V. (see note 22), the Company also provides for a provision for its interest in that subsidiary.

21 INTERESTS IN SUBSIDIARIES *(CONTINUED)*

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		Principal activities
			Direct	Indirect	
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 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	SGD 10	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	RMB 210,000,000	—	100%	Processing and trading of coal
Royce Petrochemicals Limited ("Royce Petrochemicals")	28 October 2005 BVI	US$ 3,900,001	—	100%	Investment holding
Inner Mongolia Haotong Energy Joint Stock Co., Ltd. ("Inner Mongolia Haotong")***	18 November 2005 PRC	RMB 750,000,000	—	100%	Trading of coal
Erlianhaote Haotong Energy Co., Ltd. ("Erlianhaote Haotong")#	18 January 2007 PRC	RMB 95,370,000	—	95%	Trading of coal and rendering of logistics service

21 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	
Ejina Qi Haotong Energy Co., Ltd. ("Ejinaqi Haotong")**	19 May 2008 PRC	RMB 160,000,000	—	100%	Processing and trading of coal
East Wuzhumuqin Qi Haotong Energy Co., Ltd. ("East Wuzhumuqin Qi Haotong")**	29 July 2008 PRC	RMB 10,000,000	—	100%	Trading of coal
Baotou-city Haotong Energy Co., Ltd. ("Baotou Haotong")**	18 September 2008 PRC	RMB 90,000,000	—	100%	Trading of coal
Nantong Haotong Energy Co., Ltd. ("Nantong Haotong")**	24 February 2009 PRC	RMB 120,000,000	—	100%	Trading of coal
Yingkou Haotong Mining Co., Ltd. ("Yingkou Haotong")**	16 November 2009 PRC	RMB 175,000,000	—	100%	Trading of coal
Manzhouli Haotong Energy Co., Ltd. ("Manzhouli Haotong")****	23 December 2009 PRC	RMB 132,000,000	—	100%	Trading of coal
Suifenhe Winsway Resources Co., Ltd. ("Suifenhe Winsway")**	24 December 2009 PRC	RMB 10,000,000	—	100%	Trading of coal
Baotou Mandula Winsway Energy Co., Ltd. ("Baotou Mandula")**	21 January 2010 PRC	RMB 10,000,000	—	100%	Trading of coal
Ulanqab Haotong Energy Co., Ltd. ("Ulanqab Haotong")**	2 March 2010 PRC	RMB 240,000,000	—	100%	Trading of coal
Longkou Winsway Energy Co., Ltd. ("Longkou Winsway")****	27 April 2010 PRC	RMB 180,000,000	—	100%	Trading of coal
Ejina Qi Ruyi Winsway Energy Co., Ltd. ("Ejina Qi Winsway")**	30 June 2010 PRC	RMB 20,000,000	—	51%	Logistics service
Urad Zhongqi Ruyi Haotong Energy Co., Ltd. ("Urad Zhongqi Haotong")**	14 July 2010 PRC	RMB 4,000,000	—	51%	Logistics service
Bayannao'er City Ruyi Winsway Energy Co., Ltd. ("Bayannao'er Winsway")**	14 July 2010 PRC	RMB 4,000,000	—	51%	Logistics service
Inner Mongolia Hutie Winsway Logistics Co., Ltd. ("Inner Mongolia Hutie Winsway Logistics")**	22 July 2010 PRC	RMB 30,000,000	—	51%	Logistics service
Xinjiang Winsway Energy Co., Ltd. ("Xinjiang Winsway")**	9 August 2010 PRC	RMB 10,000,000	—	100%	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

21 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	
Winsway Coking Coal Holdings S. à. r. l. ("Winsway Luxemburg")	27 September 2011 Luxemburg	Canadian dollars "CA$" 20,000	—	100%	Investment holding
0925165 B.C. Ltd.	15 November 2011 Canada	CA$ 6,000	—	100%	Investment holding
Grande Cache Coal LP	1 March 2012 Canada	N/A	—	60%	Development of coal mills and production of coking coal and related products
Erlian Winsway Mining Co., Ltd.**	14 January 2011 PRC	RMB 10,000,000	—	100%	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	RMB 22,000,000	—	100%	Logistics service
Northeast Asia (Hunchun) Winsway Coal Logistics Co., Ltd. ("Northeast Asia Winsway")**	6 July 2011 PRC	RMB 10,000,000	—	51%	Logistics service
Zhejiang Winsway Shipping Co., Ltd. ("Zhejiang Winsway") **	5 January 2012 PRC	RMB 20,000,000	—	100%	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.

22 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

22 INTEREST IN A JOINTLY CONTROLLED ENTITY *(CONTINUED)*

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 exploration, the Netherlands	Euro36,000	50%	Acquisition, sale, 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 flow for value in use calculation. Due to the unsatisfactory operating performance and the delay in the commencement of 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 the jointly controlled entity.

23 OTHER INVESTMENTS IN EQUITY SECURITIES

	The Group	
	2012	2011
	$'000	*$'000*
Unlisted, equity securities, at cost	**395,738**	395,186

24 OTHER NON-CURRENT ASSETS

		The Group		The Company	
		2012	2011	**2012**	2011
		$'000	*$'000*	***$'000***	*$'000*
Loan to a third party	(i)	**186,034**	248,608	**186,034**	248,608
Deposit for acquisition of Grande Cache Coal Corporation	(ii)	**—**	779,231	**—**	779,231
Advance payments for equipment purchase and construction in progress		**33,365**	73,069	**—**	—
		219,399	1,100,908	**186,034**	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 subsequently 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 2012, the Group has purchased coking coal of HK$494 million (2011: HK$1,533 million) from Moveday. In addition to the above, the Group has incurred HK$293 million (2011: HK$495 million) for coking coal transportation service provided by Moveday during the year ended 31 December 2012.

At 31 December 2012, as included in prepayments to suppliers (see note 26), the Group made a prepayment of HK$47 million (2011: HK$127 million) to Moveday in respect of its purchase of coking coal from the coking coal supplier for the Group.

Due to the continuous decrease of market price of cleaned coal in domestic China, the Group temporarily suspended the purchase of raw coal from Moveday and associated transportation services by Moveday during July and August 2012. As a result, the Group paid a compensation amounting to HK$7 million (2011: nil) to Moveday during the year ended 31 December 2012.

24 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. The deposit was used as part of the cash consideration from the Group for the Acquisition which was completed on 1 March 2012.

25 INVENTORIES

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

	The Group	
	2012	2011
	$'000	*$'000*
Coking coal	**2,402,860**	3,802,928
Thermal coal	**7,462**	94,929
Coal related products	**77,062**	24,512
Others	**298,772**	28,267
	2,786,156	3,950,636
Less: provision	**(341,895)**	(14,765)
	2,444,261	3,935,871

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

	The Group	
	2012	2011
	$'000	*$'000*
Carrying amount of inventories sold	**12,415,465**	9,398,990
Write down of inventory	**341,895**	14,423
	12,757,360	9,413,413

26 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'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 *(note 24(i))*	**579,866**	400,019	**—**	—
Loan to a third party company *(note 24(i))*	**62,011**	62,152	**62,011**	62,152
Derivative financial instruments*	**2,149**	—	**1,525**	—
Deposits and other receivables	**467,040**	287,940	**7,690**	3,468
	4,167,372	3,807,561	**71,226**	65,620

* 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 payables to import agents as granted to the Group. 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 38(a).

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 (see note 29).

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

26 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(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.

27 RESTRICTED BANK DEPOSITS

The Group and the Company pledged bank deposits of maturity more than three months of $980,535,000 and $nil respectively (2011: $1,590,504,000 and nil respectively) as at 31 December 2012 as collateral for the Group's borrowings (see note 29) and banking facilities in respect of issuance of bills (see note 34) and letters of credit by the Group and as security to cover the anticipated costs of restoration for the Group's mining area in Canada.

28 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**2,110,823**	3,137,752	**202,786**	919,364

At 31 December 2012, cash and cash equivalents of $755,426,000 (2011: $1,056,555,000) 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	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
US$	**15,925**	18,121	**—**	—
RMB	**163,853**	2,003,030	**938**	872,783
Euro	**42**	19	**—**	—
MOP$	**—**	227	**—**	68
HK$	**17,029**	18,951	**16,428**	18,497
SGD	**1,316**	1,702	**—**	—
CA$	**873**	—	**731**	—

29 SECURED BANK LOANS

(a) The secured bank loans comprise:

	The Group	
	2012	2011
	$'000	*$'000*
Short-term loans and current portion of long term loans	**1,783,606**	660,925
Long-term loans	**2,452,125**	65,376
	4,235,731	726,301

The interest rates per annum of bank loans were:

	The Group	
	2012	2011
Short-term loans and current portion of long term loans	**1.59%–5.60%**	1.25%–6.65%
Long-term loans	**4.81%–8.28%**	8.28%

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

	2012	2011
	$'000	*$'000*
Within 1 year	**1,783,606**	660,925
After 1 year but within 2 years	**775,140**	—
After 2 years but within 5 years	**1,676,985**	65,376
	4,235,731	726,301

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).

29 SECURED BANK LOANS *(CONTINUED)*

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

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 (31 December 2011: nil) were secured by both bank deposits and trade receivables with an aggregate carrying value of $4,390,000 (31 December 2011: nil) and $77,902,000 (31 December 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 (31 December 2011: nil) were secured by total assets of GCC LP with an aggregate carrying value of $9,932,647,000 (31 December 2011: nil).

Further details of the Group's management of liquidity risk are set out in note 38(b).

30 SENIOR NOTES

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Senior notes due in 2016	**3,521,004**	3,797,772	**3,521,004**	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 Holdings S.à.r.l., 0925165 B.C. Ltd., GCC and GCC LP as an application of the principle stated in the Company's offering memorandum on 1 April 2011 (the "Subsidiary Guarantor") (see note 41). 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.

For the year ended 31 December 2012, the Group has repurchased Senior Notes in aggregate principal amount of US$37,500,000 in the open market and recorded a profit of $55,601,000.

31 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.

32 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2012, the Group had obligations under finance leases repayable as follows:

	2012		2011	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	$'000	***$'000***	*$'000*	*$'000*
Within 1 year	**152,332**	**172,278**	—	—
After 1 year but within 2 years	**97,647**	**109,998**	—	—
After 2 years but within 5 years	**173,816**	**181,470**	—	—
	271,463	**291,468**	—	—
	423,795	**463,746**	—	—
Less: total future interest expenses		**(39,951)**		—
Present value of lease obligations		**423,795**		—

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 in 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:

	2012		2011	
	Weighted average exercis price	**Number of options**	Weighted average exercis price	Number of options
Outstanding at 1 January	**$1.677**	**105,199,463**	$1.677	107,945,000
Exercised during the year	**$1.677**	**(14,800)**	$1.677	(2,745,537)
Forfeited during the year	**$1.677**	**(256,050)**	$1.677	—
Outstanding at 31 December	**$1.677**	**104,928,613**	$1.677	105,199,463
Exercisable at 31 December	**$1.677**	**56,609,413**	$1.677	35,035,213

The options outstanding at 31 December 2012 had an exercise price of $1.677 (2011: $1.677) per share and a weighted average remaining contractual life of 2 years (2011: 3 years).

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 $25,373,000 during year ended 31 December 2012 (2011: $44,111,000) was recognised in profit or loss.

34 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'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**	—	**—**	—
Amounts due to subsidiary companies	**—**	—	**937,031**	993
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	**82,000**	94,556
	4,816,347	4,316,503	**1,019,031**	95,549

* 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

35 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
At 1 January	**171,988**	90,708	**805**	—
Provision for the year (note 8(a))	**58,792**	398,127	**—**	805
Income tax paid	**(148,369)**	(331,206)	**—**	—
Exchange adjustments	**1,235**	14,359	**(3)**	—
At 31 December	**83,646**	171,988	**802**	805

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities 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**	**Property, plant and equipment and intangible assets**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2011	—	—	19,799	28,463	—	48,262
Credited to consolidated 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
At 1 January 2012	3,692	3,693	24,935	44,874	—	77,194
Acquisition of a subsidiary *(note 15)*	—	—	—	—	(1,118,787)	(1,118,787)
Credited/(charged) to consolidated income statement	70,250	318,641	7,718	(22,484)	20,667	394,792
Exchange adjustments	(25)	(180)	19	(42)	(5,612)	(5,840)
At 31 December 2012	73,917	322,154	32,672	22,348	(1,103,732)	(652,641)

35 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

Reconciliation to the statements of financial position

	The Group	
	2012	2011
	$'000	*$'000*
Deferred tax asset recognised in the consolidated statement of financial position	**451,091**	77,194
Deferred tax liability recognised in the consolidated statement of financial position	**(1,103,732)**	—
	(652,641)	77,194

(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 $277,698,000 (2011:$ 101,334,000) at 31 December 2012 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 $7,242,000, $53,469,000, and $202,983,000 will expire in five years after the tax losses generated under current tax legislation in 2015, 2016 and 2017 respectively. The tax losses in those Hong Kong incorporated companies of approximately $14,004,000 can be utilized to offset any future taxable profits under current tax legislation.

(d) Deferred tax liabilities not recognised:

Under the new PRC income tax law and its relevant regulations, PRC-resident enterprises are levied withholding tax at 10% on dividends to their non-PRC-resident corporate investors for profits earned since 1 January 2008.

Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are not provided to the extent that such profits are not expected to be distributed in the foreseeable future. Deferred tax liabilities in respect of tax that would be payable on distributing these retained earnings were not provided for amounted to $145,620,000 (2011: $161,402,000) as at 31 December 2012.

36 PROVISIONS

The provision for restoration costs has been determined based on management's best estimates. The estimate of the associated costs may be subject to change in the near term when the restoration on the land from current mining activities becomes apparent in future periods. At the statement of financial position date, the Group reassessed the estimated costs and adjusted the accrued restoration obligations, where necessary. The Group's management believes that the accrued restoration obligations at 31 December 2012 are adequate and appropriate. The provision is based on estimates and therefore, the ultimate liability may exceed or be less than such estimates. The movement of the accrued restoration cost is as follows:

The Group

	$'000
At 1 January 2012	—
Acquisition of a subsidiary *(note 15)*	158,875
Provisions made during the year	58,489
Provisions used during the year	(12,036)
Interest accretion	2,546
Change in discount rate	14,423
Exchange adjustments	722
At 31 December 2012	223,019

37 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Note	Share capital $'000	Other Reserve $'000	Exchange reserve $'000	Accumulated Loss $'000	Total $'000
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 shareholders of the Company	37(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 loss 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
Balance at 1 January 2012		4,992,291	111,369	(9,957)	(817,829)	4,275,874
Changes in equity for 2012:						
Exercise of share options granted under share option scheme		46	(21)	—	—	25
Dividends declared and paid to the equity shareholders of the Company	37(b)	—	—	—	(60,371)	(60,371)
Equity settled share-based transactions		—	25,373	—	—	25,373
Total comprehensive loss for the year		—	—	(9,935)	(505,431)	(515,366)
Balance at 31 December 2012		4,992,337	136,721	(19,892)	(1,383,631)	3,725,535

37 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(b) Dividends

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

	2012	2011
	$'000	*$'000*
No interim dividend declared or paid (2011: 5.3 cents per ordinary share)	—	200,923
No final dividend proposed after the end of the reporting period (2011: 1.6 cents per ordinary share)	—	60,371

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2012	2011
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.6 cents per share (2011: 6.1 cents per share)	**60,371**	231,223

(c) Share capital

	2012	2011
	No. of shares	No. of shares
	'000	*'000*
Authorised:		
Ordinary shares	**6,000,000**	4,000,000

37 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(c) Share capital *(Continued)*

	2012		2011	
	No. of shares '000	**$'000**	No. of shares '000	$'000
Ordinary shares, issued and fully paid:				
At 1 January	**3,773,184**	**4,992,291**	3,788,261	5,014,339
Exercise of share options granted under share option scheme	**15**	**46**	2,746	8,505
Repurchase and cancellation of own shares	**—**	**—**	(17,823)	(30,553)
At 31 December	**3,773,199**	**4,992,337**	3,773,184	4,992,291

By an ordinary resolution passed at the annual general meeting held on 11 June 2012, the Company's authorised ordinary share capital was increased to 6,000,000,000 shares.

(d) Repurchase of own shares

During 2011, 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.

The Company did not repurchase any of its own ordinary shares during the year ended 31 December 2012.

37 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(e) Share issued under share option scheme

During the year, options were exercised to subscribe for 14,800 ordinary shares in the Company at a consideration of $46,000 all of which was credited to share capital. $21,000 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 $	2012 Number	2011 Number
1 April 2011 to 29 June 2015	1.677	**104,928,613**	105,199,463

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).

37 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 2012, amounts in retained earnings of $5,046,000 (2011: $205,520,000) were transferred from retained earnings to the 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 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $3,725,535,000 (2011: $4,275,874,000). After the end of the reporting period the directors proposed a final dividend of nil (2011: 1.6 cents) per ordinary share, amounting to $nil (2011: $60,371,000) (see note 37(b)).

(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.

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 2012 was 64.52% (2011: 55.7%).

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate 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, 7% (2011: 2%) and 12% (2011: 11%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively within the processing and trading of coking coal and related products segment.

Except for the financial guarantees, given by the Group as set out in note 41, 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 41.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26.

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(b) Liquidity risk

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

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

The Group

	2012 Contractual undiscounted cash outflow					2011 Contractual undiscounted cash outflow				
	Within 1 Year or on demand	**More than 1 Year but less than 2 years**	**More than 2 Years but less than 5 years**	**Total**	**Carrying amount at 31 December**	Within 1 Year or on demand	More than 1 Year but less than 2 years	More than 2 Years but less than 5 years	Total	Carrying amount at 31 December
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Secured bank loans	**1,926,317**	**880,872**	**1,832,751**	**4,639,940**	**4,235,731**	674,849	—	80,307	755,156	726,301
Senior notes	**304,727**	**304,727**	**4,042,113**	**4,651,567**	**3,521,004**	330,183	330,183	4,709,956	5,370,322	3,797,772
Finance lease liabilities	**172,278**	**109,998**	**181,470**	**463,746**	**423,795**	—	—	—	—	—
Trade and other payables (excluding prepayments from customers)	**4,481,117**	**—**	**—**	**4,481,117**	**4,481,117**	3,937,520	—	—	3,937,520	3,937,520
	6,884,439	**1,295,597**	**6,056,334**	**14,236,370**	**12,661,647**	4,942,552	330,183	4,790,263	10,062,998	8,461,593

The Company

	2012 Contractual undiscounted cash outflow					2011 Contractual undiscounted cash outflow				
	Within 1 Year or on demand	**More than 1 Year but less than 2 years**	**More than 2 Years but less than 5 years**	**Total**	**Carrying amount at 31 December**	Within 1 Year or on demand	More than 1 Year but less than 2 years	More than 2 Years but less than 5 years	Total	Carrying amount at 31 December
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Senior notes	**304,727**	**304,727**	**4,042,113**	**4,651,567**	**3,521,004**	330,183	330,183	4,709,956	5,370,322	3,797,772
Trade and other payables (excluding prepayments from customers)	**1,019,031**	**—**	**—**	**1,019,031**	**1,019,031**	95,549	—	—	95,549	95,549
	1,323,758	**304,727**	**4,042,113**	**5,670,598**	**4,540,035**	425,732	330,183	4,709,956	5,465,871	3,893,321

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period.

	The Group				The Company			
	2012		2011		2012		2011	
	Interest rate %	$'000	Interest rate %	$'000	Interest rate %	$'000	Interest rate %	$'000
Fixed rate borrowings:								
Finance lease obligations	4.3%–6.7%	423,795	–	–	–	–	–	–
Bank loans	1.59%–5.6%	1,202,251	1.25%–6.65%	660,925	–	–	–	–
Senior notes	9.35%	3,521,004	9.35%	3,797,772	9.35%	3,521,004	9.35%	3,797,772
		5,147,050		4,458,697		3,521,004		3,797,772
Variable rate borrowings:								
Bank loans	4.81%–8.28%	3,033,480	8.28%	65,376	–	–	–	–
		3,033,480		65,376		–		–
Total borrowings		8,180,530		4,524,073		3,521,004		3,797,772
Fixed rate borrowings as a percentage of total borrowings		62.84%		99.55%		100%		100%

(ii) Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the borrowings outstanding at the end of the reporting period were outstanding for the whole year. The analysis is performed on the same basis for 2011.

At 31 December 2012, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated loss by approximately $5,688,000 (2011: decreased/increased profit after tax and retained earnings of $123,000). Other components of consolidated equity would have no change in response to the general increase/decrease in interest rates.

(d) 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 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. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(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.

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk (Continued)

The Group

	Exposure to foreign currency *(expressed in HK$)*								
	2012					2011			
	CA$	**US$**	**RMB**	**SGD**	**HK$**	US$	RMB	SGD	HK$
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*
Cash and cash equivalents	**873**	**15,925**	**163,863**	**1,316**	**17,029**	18,121	2,003,030	1,702	18,951
Trade and other receivables	**24,815**	**13,725**	**473,036**	**966**	**159**	214	749,134	562	631
Trade and other payables	**(160,723)**	**(26,352)**	**(274,946)**	**(381)**	**(247)**	(318,376)	—	(29)	(385)
Bank loans	**—**	**—**	**—**	**—**	**—**	(69,535)	—	—	—
Net exposure arising from recognised assets and liabilities	**(135,035)**	**3,298**	**361,953**	**1,901**	**16,941**	(369,576)	2,752,164	2,235	19,197

The Company

	Exposure to foreign currency *(expressed in HK$)*					
	2012			2011		
	MOP$	**HK$**	**RMB**	MOP$	HK$	RMB
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Cash and cash equivalents	**—**	**16,429**	**764**	68	18,497	872,783
Net exposure arising from recognised assets and liabilities	**—**	**16,429**	**764**	68	18,497	872,783

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated loss) 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

	2012		2011	
	Increase/ (decrease) in foreign exchange rate	**(Increase)/ decrease in loss after tax and accumulated loss**	Increase/ (decrease) in foreign exchange rate	(Decrease)/ increase in profit after tax and retained earnings
	$'000	***$'000***	*$'000*	*$'000*
CA$	**5%**	**(5,064)**	5%	—
	(5)%	**5,064**	(5)%	—
United States dollars	**5%**	**124**	5%	(14,365)
	(5)%	**(124)**	(5)%	14,365
RMB	**5%**	**13,573**	5%	103,206
	(5)%	**(13,573)**	(5)%	(103,206)
SGD	**5%**	**71**	5%	84
	(5)%	**(71)**	(5)%	(84)
HK$	**5%**	**635**	5%	1,226
	(5)%	**(635)**	(5)%	(1,226)

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis (Continued)

The Company

	2012		2011	
	Increase/ (decrease) in foreign exchange rate	**Decrease/ (increase) in loss after tax and accumulated loss**	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in loss after tax and accumulated loss
	$'000	***$'000***	*$'000*	*$'000*
RMB	**5%**	**38**	5%	43,639
	(5)%	**(38)**	(5)%	(43,639)
HK$	**5%**	**821**	5%	925
	(5)%	**(821)**	(5)%	(925)
MOP$	**5%**	**—**	5%	3
	(5)%	**—**	(5)%	(3)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss/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. 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 2011.

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(e) 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

2012

	The Group		
	Level 1	**Level 2**	**Total**
	$'000	***$'000***	***$'000***
Assets			
Derivative financial instruments			
— Forward foreign exchange contracts	—	**2,149**	—

	The Company		
	Level 1	**Level 2**	**Total**
	$'000	***$'000***	***$'000***
Assets			
Derivative financial instruments			
— Forward foreign exchange contracts	—	**1,525**	—

(e) Fair values *(Continued)*

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

2011

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

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

(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 2012 and 2011 except for the Senior Notes (see note 30) and amounts due from/to subsidiaries which are unsecured, interest-free and have no fixed terms of repayment (see notes 21 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			
	2012		2011	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	***$'000***	*$'000*	*$'000*
Senior Notes	**3,521,004**	**3,024,863**	3,797,772	3,088,178

38 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(f) 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 marked to market by discounting the contractual forward price and deducting the current spot rate.

(iii) Interest-bearing loans and borrowings and finance lease liabilities

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 (see note 30) 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 2012 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2012	2011
Loans and borrowings	**1.59%–8.28%**	1.25%–8.28%

39 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 9, and certain of the highest paid employees as disclosed in note 10, is as follows:

	2012	2011
	$'000	*$'000*
Short-term employee benefits	**90,173**	68,141
Equity compensation benefits	**21,849**	38,605

The remuneration is included in "staff costs" (see note 7(b)).

(b) Material related party transactions

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

	2012	2011
	$'000	*$'000*
Sales of construction equipment to related parties	**—**	1,860
Sales of products to a related party	**543,209**	—
Purchase of products from a related party	**234,921**	—
Rental expense for lease of properties from related parties	**8,431**	5,257

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.

(c) Related party balances

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

	2012	2011
	$'000	*$'000*
Amounts due from related parties	**740**	740
Amounts due to related parties	**135,642**	–

40 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2012 not provided for in the financial statements were as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Contracted for	**409,307**	495,725	**—**	—
Authorised but not contracted for	**431,119**	380,388	**—**	—
	840,426	876,113	**—**	—

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

(b) At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Within 1 year	**18,364**	19,359	**—**	298
After 1 year but within 5 years	**14,044**	6,260	**—**	174
After 5 years	**1,533**	—	**—**	—
	33,941	25,619	**—**	472

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.

41 CONTINGENT LIABILITIES- GUARANTEES

The Company's existing subsidiaries, other than those established/incorporated under the laws of the PRC, Winsway Coking Coal Holdings S.à.r.l., 0925165 B.C. Ltd., GCC and GCC LP, have provided guarantees for the Senior Notes issued in April 2011 (see note 30).

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

42 ULTIMATE CONTROLLING PARTY

At 31 December 2012, 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.

43 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
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
Annual Improvements to IFRSs 2009-2011 Cycle	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*	1 January 2015

43 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 *(CONTINUED)*

IFRIC 20 applies to all types of natural resources that are extracted using the surfacing mining activity process. It considers when and how to account separately for the two benefits arising from the stripping activity, which are 1) the usable ore that can be used to produce inventory; and 2) improved access to further quantities of material that will be mined in future periods, as well as how to measure these benefits both initially and subsequently.

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 except for IFRIC 20. The Group has not completed its assessment of the full impact of adopting IFRIC 20 and therefore its possible impact on the Group's results are financial position has not been quantified.

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 Thursday, 27 June 2013
"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"	包頭市滿都拉永輝能源有限公司 (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"	北京永輝投資管理有限公司 (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" 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 our 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
"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"	二連浩特浩通有限公司 (Erlianhaote Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 18 January 2007 and our indirect non wholly-owned subsidiary
"Goldliq"	Goldliq B.V.B.A., a company incorporated under the laws of Belgium with limited liability on 29 January 1991, in which Mr. Wang held 100% equity interest during the period from 6 November 1995 till 13 May 2005
"Group" or "our Group"	our Company and its subsidiaries
"Grande Cache" or "GCC"	Grande Cache Coal Corporation
"GCC LP"	Grande Cache Coal LP
"Hohhot Railway Bureau"	呼和浩特鐵路局 (the Hohhot Railway Bureau*), a regional railway bureau under the jurisdiction of the Ministry of Railway of the PRC
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC

"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)(as amended from time to time)
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	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
"Listing"	the listing of our Shares on the Main Board
"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"	滿州里海鐵永輝儲運有限公司 (Manzhouli Haitie Yonghui Storage & Transportation Co., Ltd.*), a joint venture established under the laws of the PRC with limited liability on 1 March 1995 as to 50% equity interest held by Goldliq and 50% equity interest held by 哈爾濱鐵路局對外經濟技術合作公司海拉爾分公司 (Harbin Railway Bureau Foreign Economic and Technological Cooperation Company Halaer Branch Company*)
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company as amended from time to time

"Model 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
"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
"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
"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
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and futures Ordinance (Chapter 571 of the Laws of Hong Kong)(as amended from time to time)
"Share(s)"	ordinary share(s) with no par value of our Company
"Shareholders"	holders of the Shares
"Silver Grant"	Silver Grant International Industries Ltd., a company with its principal place of business at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong and listed on the Hong Kong Stock Exchange (Stock code:171)
"subsidiary(ies)"	has the meaning ascribed to it in section 2 of the Hong Kong Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"United States", "US" or "USA"	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 (永輝集團有限公司), a company incorporated under the laws of Macao with limited liability on 12 June 1995 and wholly-owned by Mr. Wang
"Winsway Petroleum Holdings"	Winsway Petroleum Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 9 September 2009 and indirectly wholly-owned by Mr. Wang
"Winsway Resources Holdings"	Winsway Resources Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 31 December 2009 and indirectly wholly-owned by Mr. Wang
"Winsway Singapore"	Winsway Resources Holdings Private Limited, a company incorporated under the laws of Singapore with limited liability on 31 December 2009 and our wholly-owned subsidiary
"Yingkou Haotong"	營口浩通礦業有限公司 (Yingkou Haotong Mining Co., Ltd.*), a company established under the laws of the PRC with limited liability on 16 November 2009 and our indirectly wholly-owned subsidiary

Five-Year Financial Summary

(Expressed in Hong Kong dollars)

	2012	2011	2010	2009	2008
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Continuing operations					
Turnover	**12,387,405**	11,610,413	9,271,665	5,283,216	1,113,858
(Loss)/profit before taxation	**(2,250,992)**	1,422,836	1,180,153	561,318	298,408
Income tax	**336,000**	(371,079)	(251,390)	(70,367)	11,927
(Loss)/profit from continuing operations	**(1,914,992)**	1,051,757	928,763	490,951	310,335
Discontinued operations					
Loss from discontinued operations (net of income tax)	**—**	—	—	(9,246)	(37,296)
Gain on sale of discontinued operations (net of income tax)	**—**	—	—	33,550	141
(Loss)/profit for the year	**(1,914,992)**	1,051,757	928,763	515,255	273,180
Attributable to:					
Equity shareholders of the Company	**(1,619,536)**	1,051,003	928,826	515,255	274,228
Non-controlling interests	**(295,456)**	754	(63)	—	(1,048)
(Loss)/profit for the year	**(1,914,992)**	1,051,757	928,763	515,255	273,180
Total assets	**22,582,784**	16,399,764	9,123,020	4,498,312	1,598,082
Total liabilities	**(14,570,194)**	(9,126,643)	(2,578,151)	(3,354,203)	(991,638)
Non-controlling interests	**(2,415,609)**	(42,186)	(76,041)	—	—
	5,596,981	7,230,935	6,468,828	1,144,109	606,444

Company Information

BOARD MEMBERS

Chairman of the Board

Wang Xingchun

Executive Directors

Zhu Hongchan
Yasuhisa Yamamoto
Apolonius Struijk (resigned on 1 April 2013)
Ma Li (appointed on 1 April 2013)
Cui Yong

Non-executive Directors

Delbert Lee Lobb, Jr. (resigned on 16 January 2013)
Daniel J. Miller (appointed on 16 January 2013)
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 (resigned on 1 April 2013)
James Downing
Ng Yuk Keung (appointed on 1 April 2013)

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. (resigned on 16 January 2013)
Daniel J. Miller (appointed on 16 January 2013)

Member

Yasuhisa Yamamoto
Apolonius Struijk (resigned on 1 April 2013)
Ma Li (appointed on 1 April 2013)
George Jay Humbro (appointed on 1 April 2013)

SECRETARY TO THE BOARD

Cao Xinyi

CHIEF FINANCIAL OFFICER

Xie Wenzhao

LEGAL COUNSEL

Reed Smith Richards Butler

AUDITORS AND REPORTING ACCOUNTANTS

KPMG
Certified Public Accountants

REGISTERED OFFI CE 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