

**WINSWAY®**

WINSWAY COKING COAL HOLDINGS LIMITED

永暉焦煤股份有限公司

# Investor Presentation

WINSWAY COKING COAL HOLDINGS LIMITED

April 2011



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# I. Company Overview

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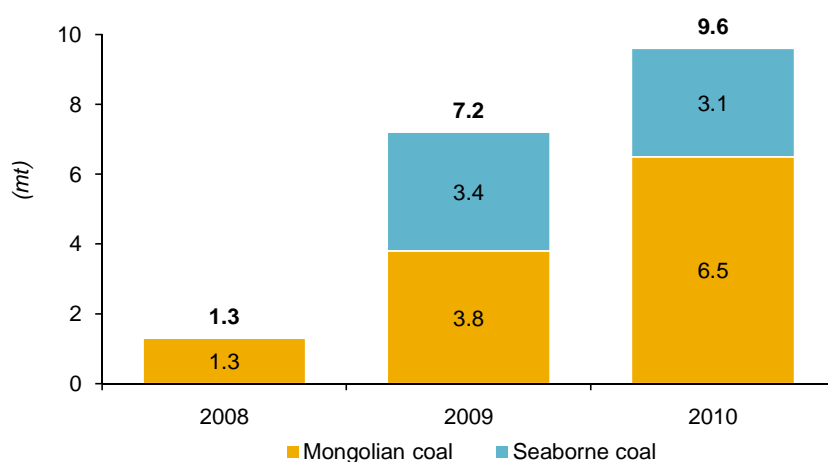


# Integrated Coking Coal Supplier with Excellent Growth Track Record

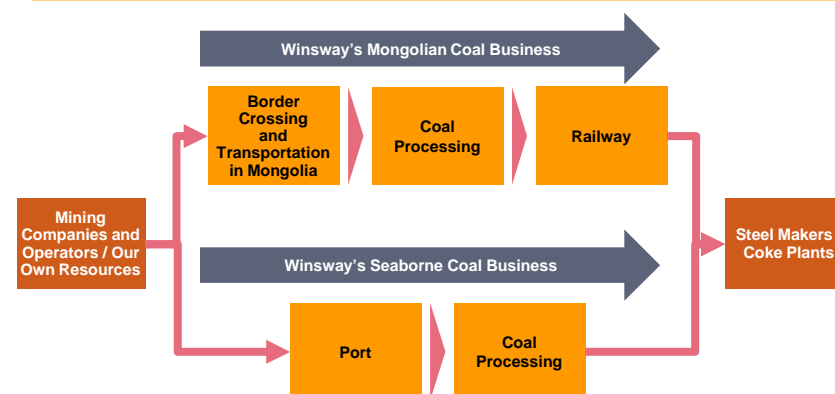
## Winsway Overview

- An integrated supplier of imported coking coal into China, owning infrastructures at strategic Sino-Mongolian and Sino-Russian border crossings and Chinese sea ports
- A pioneer in the large-scale transportation of Mongolian coking coal into China, and one of the few companies with infrastructures to supply Mongolian coking coal to coastal areas of China profitably in a large-scale
- One of the leading suppliers in China of imported coking coal. Imported 6.5 mt of Mongolian coal and 2.9 mt of seaborne coal in 2010
- Listed on HKEx on 11 Oct 2010 (HK.1733) with a market capitalization of US\$2.1 billion as of 7 February 2011

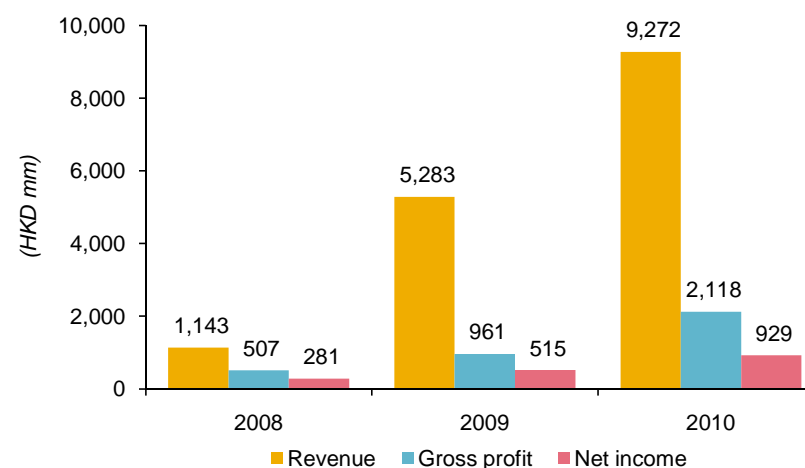
## Strong Growth in Procurement Volume



## Integrated Business Model Across the Value Chain



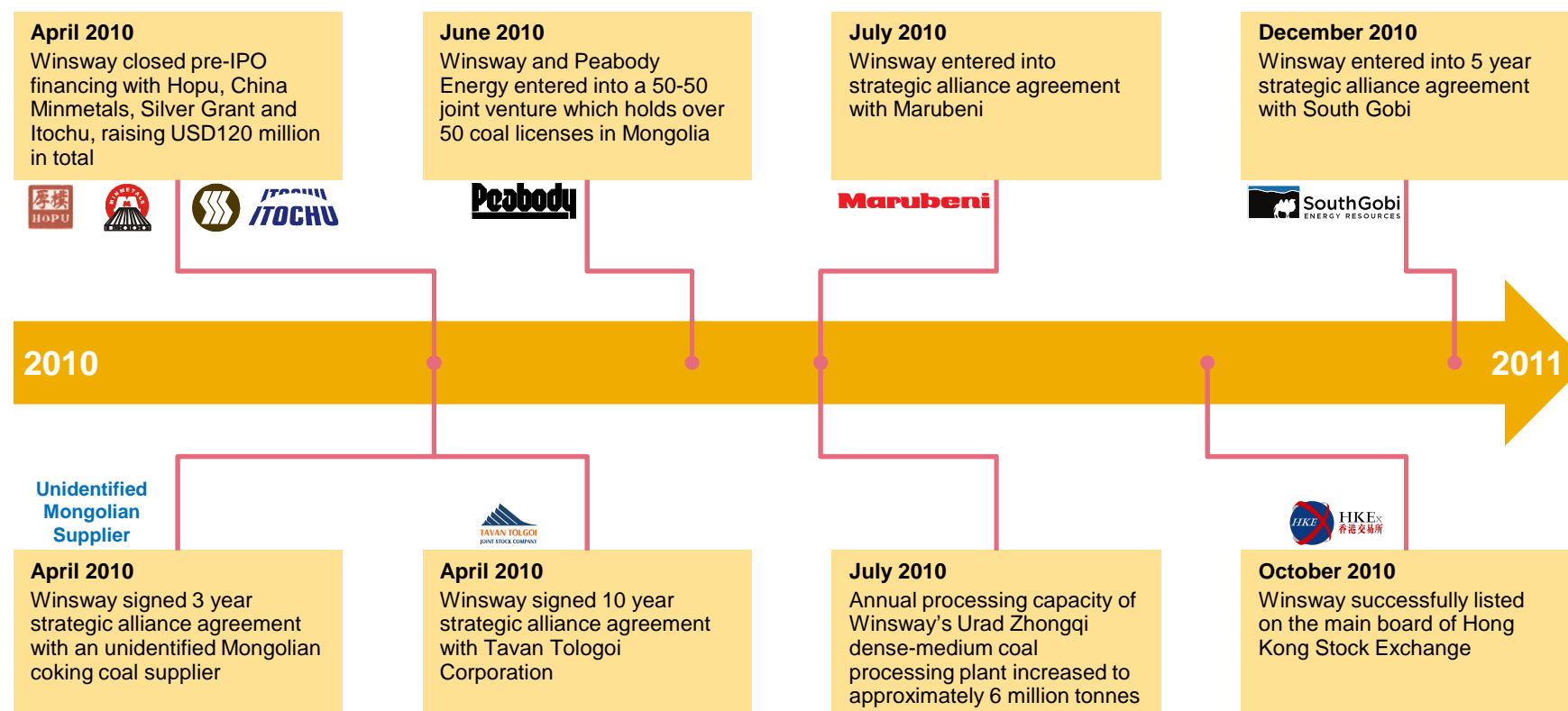
## Solid Financial Performance



# Connecting Global Coking Coal Resources to China



# Major Events in 2010



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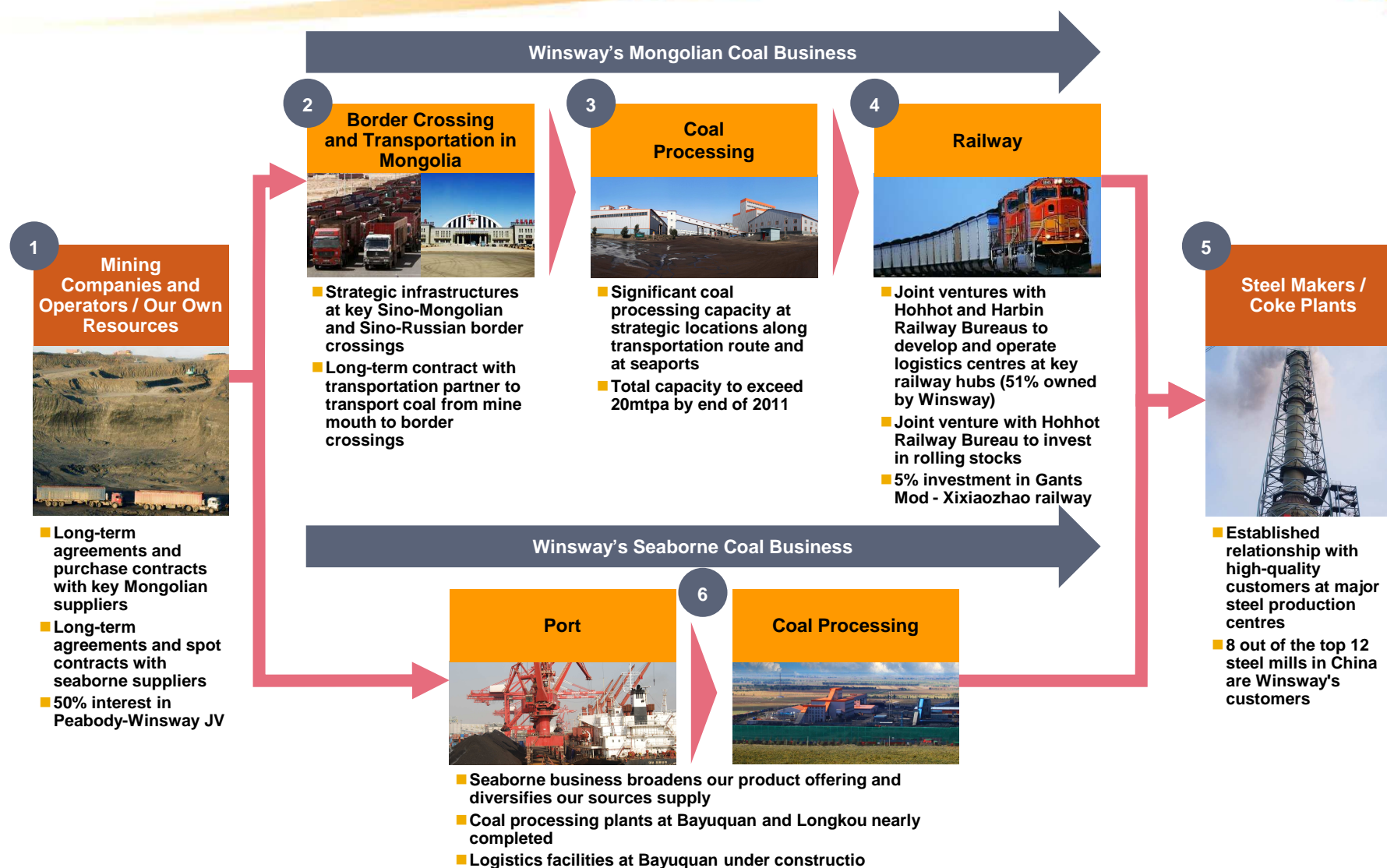
## II. Business Model

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# Overview of Winsway's Integrated Business Model





# 1 Long Term Agreements and Purchase Contracts with Key Suppliers Ensure a Stable Source of Coking Coal Supply

<b>Mongolian Coal Suppliers</b>		<b>Unidentified Mongolian Supplier</b>			<b>Others</b>
	<u>Long term agreement</u>	<u>Long term agreement</u>	<u>Long term agreement</u>	<u>Long term agreement</u>	<u>Purchase contract</u>
	<b>10 years</b>	<b>3 years</b>	<b>5 years</b>		
	<b>5.0mt/year or 50% output</b>	<b>Up to 2.0mt/year</b>	<b>Min. 2.0mt/year</b>	<b>3.0mt/year</b>	<b>0.2mt (Q4 2010)</b>
			<b>2011 3.2mt/year</b>		
<b>Seaborne Coal Suppliers</b>					<b>Others</b>
<b>A combination of long-term agreements and spot contracts</b>					

# 1 Sustainable Supply of Coking Coal Upstream Investment

## The Joint Venture Acquisition

- On 29 June 2010, we acquired 50% interest in Peabody-Winsway JV from Polo Resources with a total consideration of
  - US\$15mm in cash
  - US\$20mm in Winsway shares upon IPO
  - 1% royalty based on revenue of coal sold at the mine-mouth price
- The JV holds approx. 50 coal-related mineral licenses in Mongolia with a total area of approx. 7,210 sqkm

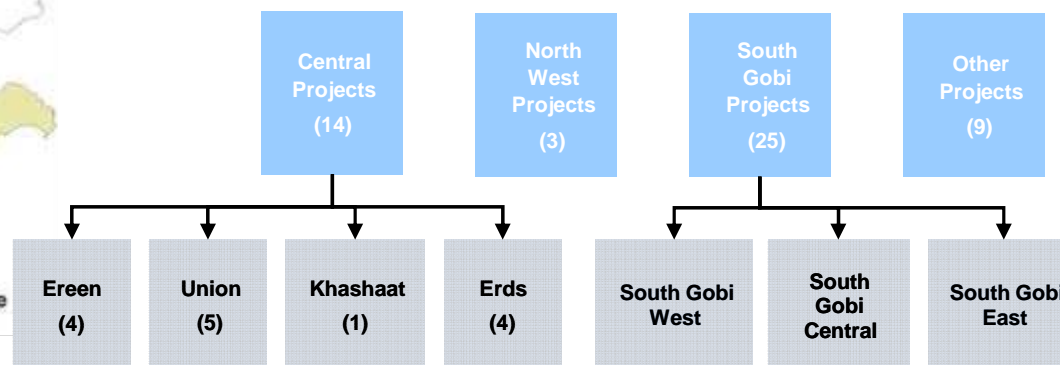
## Coal Resources

- The JV mainly has 3 coal projects:
  - Central projects
  - North West projects
  - South Gobi projects
- Central and North West projects contain mostly thermal coal and are at a relatively advanced stage of exploration
- South Gobi projects are at a preliminary stage of exploration and contain both thermal and coking coal deposits located in South Gobi Coal Basin known for its rich coking coal resources

## Locations of JV's Coal Resources and Licenses



### Overview of License Areas in Mongolia (# of Licenses Held)



2

## Invested in Infrastructure and Transportation at Key Sino-Mongolian and Sino-Russian Border Crossings



### 6 Tier-1 Sino-Mongolian Border Crossings

#### Winsway's infrastructure

Gants Mod	√
Ceke	√
Erlianhaote	Under construction
Zhu'engadabuqi	Under construction
Mandula	Under construction
Takeshiken	Under construction

### 2 Tier-1 Sino-Russia Border Crossings

#### Winsway's infrastructure

Manzhouli	Under construction
Suifenhe	Under construction

### Ceke Border Crossing

#### Commencement of Construction & Land Area

Commenced : 2008  
Area: 679,100 sqm

#### Major Facilities in the Logistics Park

Loading facilities, stockpile area, and a coal processing plant

#### Transportation arrangement from mine mouth

Closest coal deposit being Ovoot Tolgoi, Nariin Sukhait (40km) serviced by trucking company Moveday with 950 trucks dedicated excluding for our use

### Gants Mod Border Crossing

Commenced : 2007  
Area: 666,600 sqm

Loading facilities, stockpile area, coal testing centre, wind shield, and a designated access road connecting our logistics park to Chinese customs

Closest coal deposit being Tavan Tolgoi (270km) serviced by trucking company Moveday with 950 trucks dedicated excluding for our use

3

# Significant Coal Processing Capacity at Strategic Locations Well-Positioned to Meet Future Demand

## Strategic Locations of Coal Processing Plants



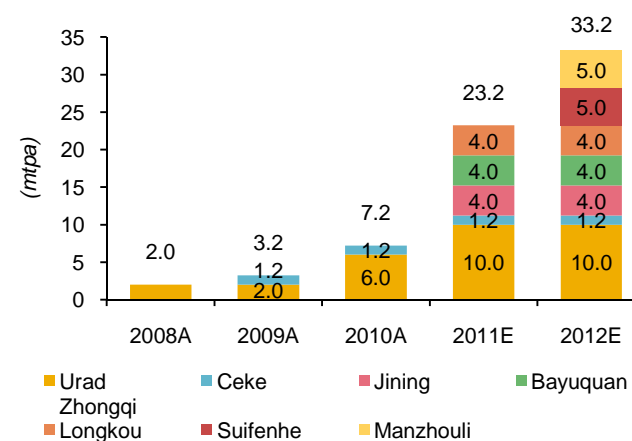
### Legend

- ★ Winsway
- ⊙ Winsway's border-crossing facilities
- Ⓜ Winsway's docking facilities
- Ⓜ Winsway's coal processing plants
- Ⓜ Winsway's logistics centres and coal loading stations
- ★ Capital
- City
- ✕ Coal mine / coal basin
- ⊙ Major steel production centers
- Coking coal deposits
- Coal deposits
- National boundary (China)
- National boundary
- Road
- Railway (in operation)
- Railway (in planning)
- ④ Xixiaozhao-Gants Mod line
- ⑤ Baotou-Mandula line
- ⑥ Jining-Erlanhaote line
- ⑦ Beijing-Baotou line
- ⑧ Jining-Tongliao line
- ⑨ Datong-Qinhuangdao line
- ⑩ Bayan Ula-Zhu'engadabuqi line
- ⑪ Jinin-Zhangjiakou-Caofeidian line
- ① Jiayuguan-Ceke line
- ② Linhe-Ceke line
- ③ Baotou-Lanzhou line

## Serving Different Target Markets

Main Raw Coal Source	Target Markets
Ceke, Urad Zhongqi and Jining	Mongolia Inner Mongolia, Hebei, and Shandong Provinces
Bayuquan and Longkou	Russia seaborne, Australia seaborne coal and other origins Coastal regions of China

## Coal Processing Capacity



## 4 Joint Ventures with Railway Bureaus to Ensure Sufficient Railway Transportation Capacity

### JVs with Hohhot and Harbin Railway Bureaus




呼和浩特铁路局  
Hohhot Railway Bureau

哈尔滨铁路局  
Harbin Railway Bureau



#### Logistics Centres

##### Winsway – Hohhot Railway Bureau JV

- Jointly develop and operate railway logistics centers at border crossings including Ceke, Gants Mod, Mandula, Erlianhaote, Zhu'engadabuqi and inland logistics centers at Jinin and Urad Zhongqi
- Coal loading stations within the railway logistics centers
- Winsway owns 51% in the joint venture

##### Winsway – Harbin Railway Bureau JV

- Jointly develop and operate railway logistics centers at Manzhouli
- Coal loading stations within the railway logistics centers
- Winsway owns 51% in the joint venture

#### Rolling stocks

##### Huayuan Logistics

- Hohhot Railway Bureau is Huayuan's largest shareholder. Winsway is the second largest shareholder with 9% ownership
- Huayuan to invest in 3,300 rolling stocks
- Winsway's railway transportation capacity will increase approximately by 1.2 million tons per year

#### Railway Investments

- "Registered user" status for railways administrated by the Hohhot Railway Bureau
- Invested in 5% of the Gants Mod – Xixiaozhao railway

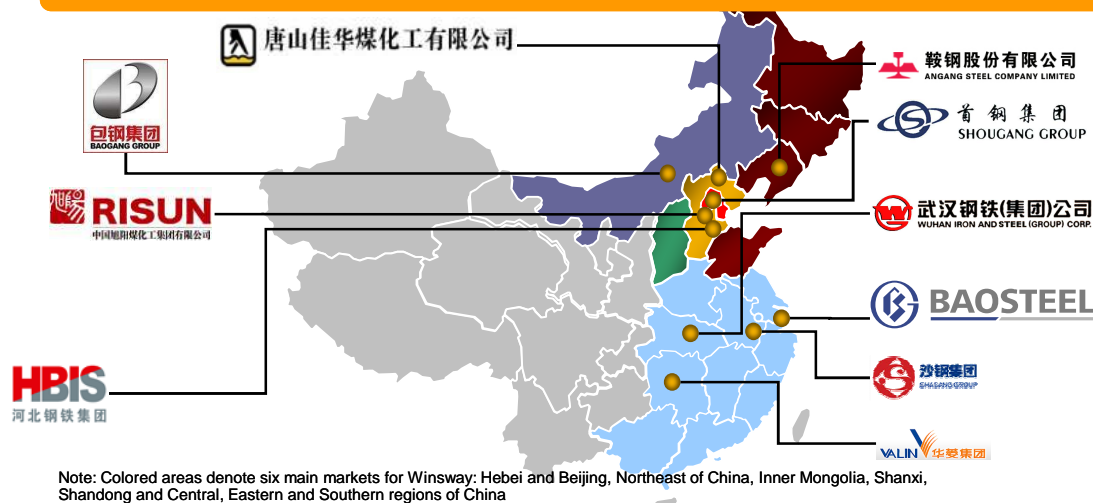
**Wide-ranging cooperation with Railway Bureaus built on 15 years of mutually beneficial working relationship**



5

# Established Relationship with High-Quality Customers at Major Steel Production Centres

## Winsway's Major Customers



## China's Top Steel Producer (2010)

Steel producer	Production volume (mt)	Winsway's customer?
Hebei Steel	52.9	√
Baosteel	44.5	√
Ansteel	40.3	√
Wuhan Iron and Steel	36.6	√
Shasteel	30.1	√
Shougang	25.8	√
Shandong Steel	23.2	
Xiwuan Steel	18.6	
Bohai Steel	17.4	
Magang	15.4	
Hunan Valin	15.1	√
Baotou Steel	10.1	√

Source: mysteel.com

## Winsway's Long Term Partnership with Customers

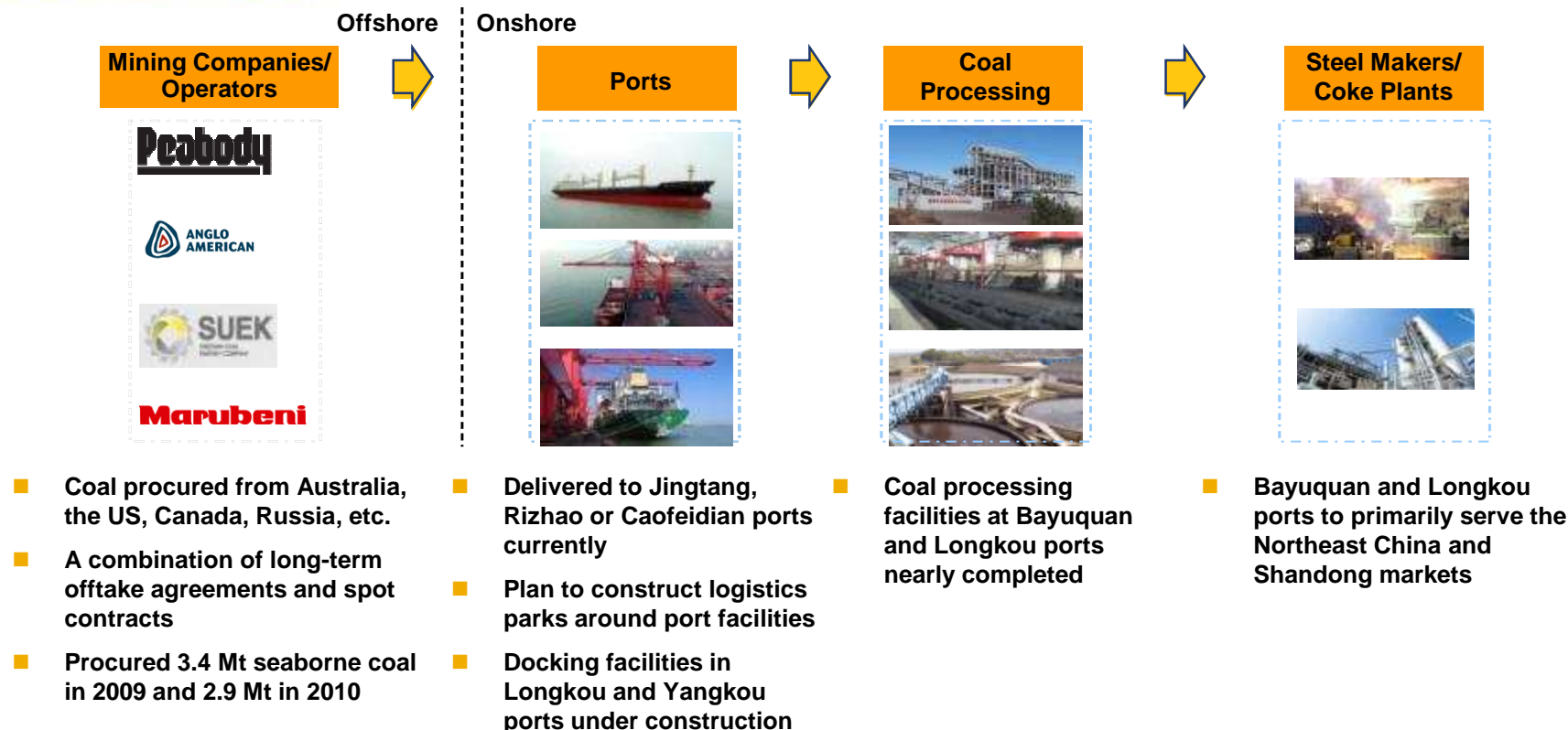
Name	Type	Location	Comments
Baosteel	Steel Producer	Shanghai	■ Strategic partnership to supply up to 2.6mtpa of coking coal
Wugang	Steel Producer	Wuhan	■ 10 years long term strategic cooperation agreement to supply 1.2 mtpa coking coal
Jiujiang Coke	Coke Plant	Hebei	■ 30 years long term strategic cooperation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

**We have built a network of premium clients through consistent delivery of high quality products and value-added services**



6

# Seaborne Coal Business Broadens Our Product Offering as well as Diversifies Our Sources of Coal Supply



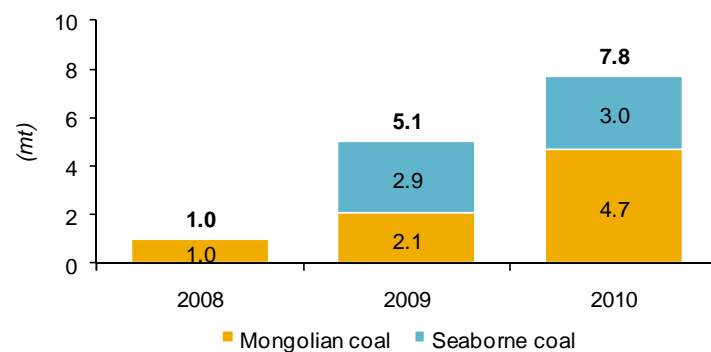
Significant processing capacity at seaports improves our flexibility in terms of procurement and ability for coal upgrade

## III. Financial Overview

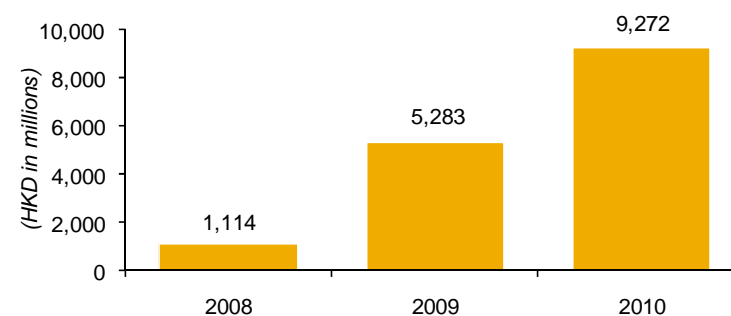


# Our Scale and Growth

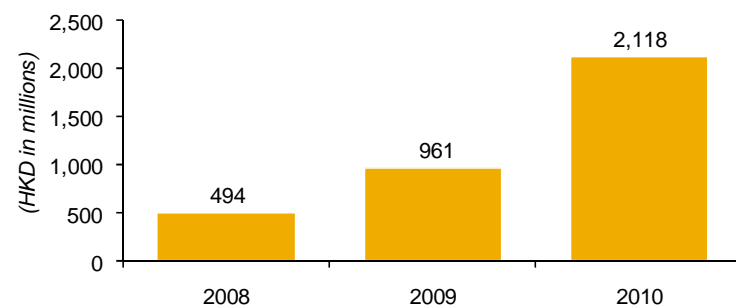
**Total sales volume**



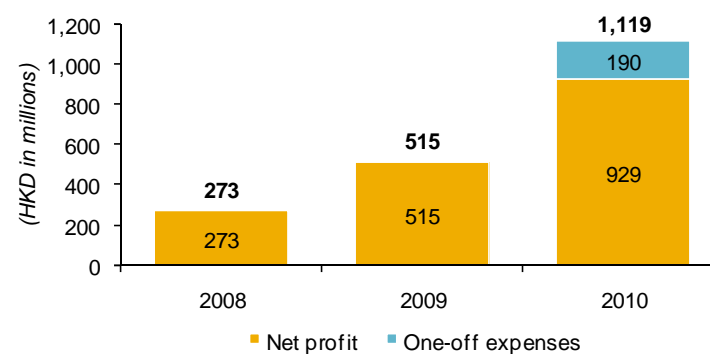
**Total revenue**



**Gross profit**

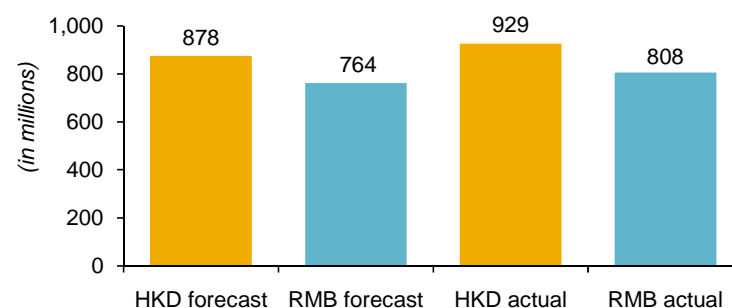


**Net profit**

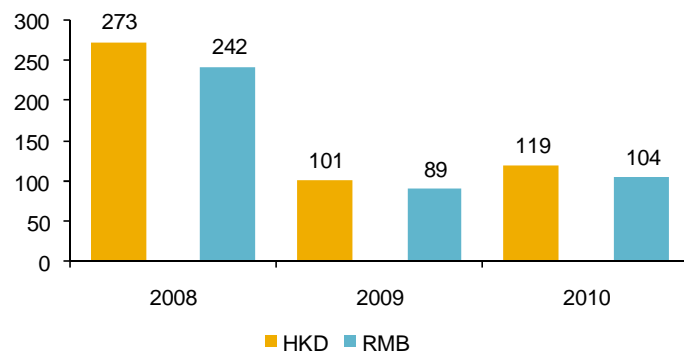


# Net Income

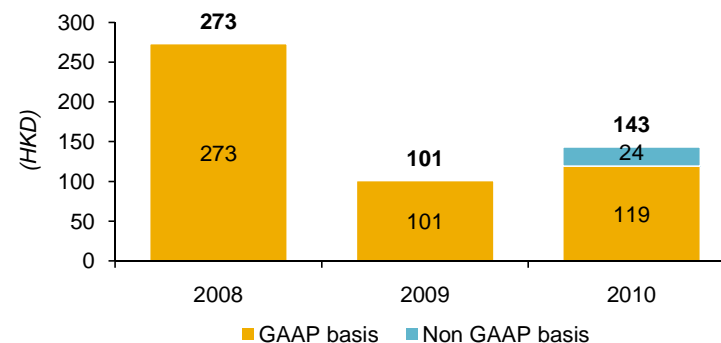
## Forecast vs actual net income



## Net profit per ton (RMB vs. HKD)

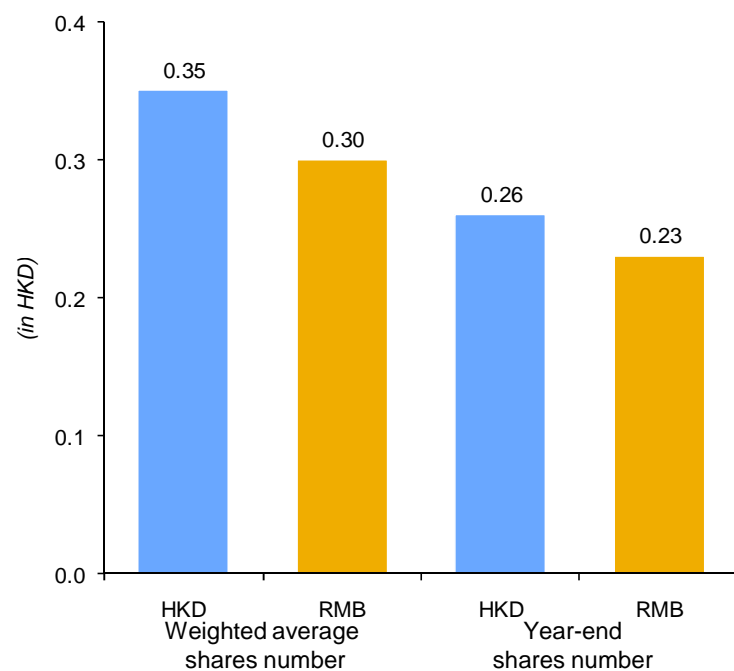


## Net profit per ton (GAAP vs. Non-GAAP)

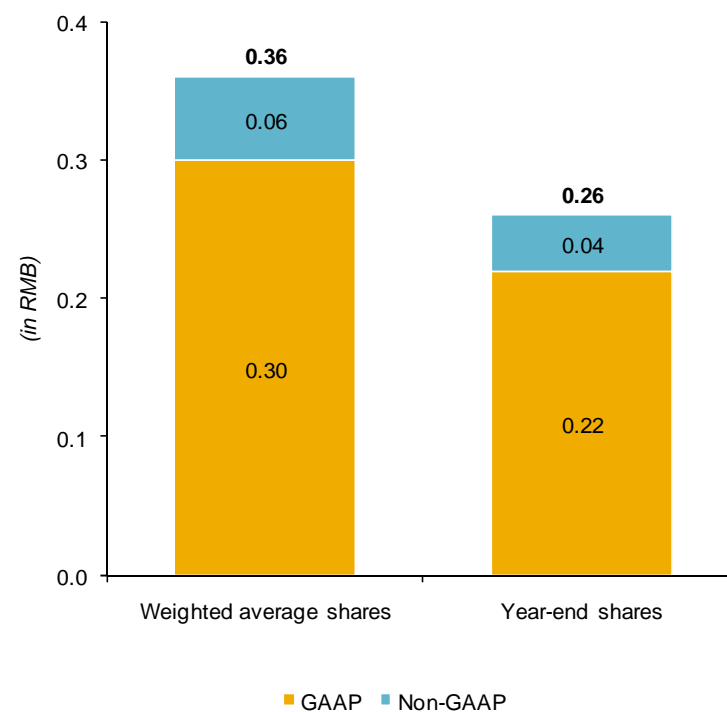


# Earnings Per Share

**EPS (HKD vs. RMB)**

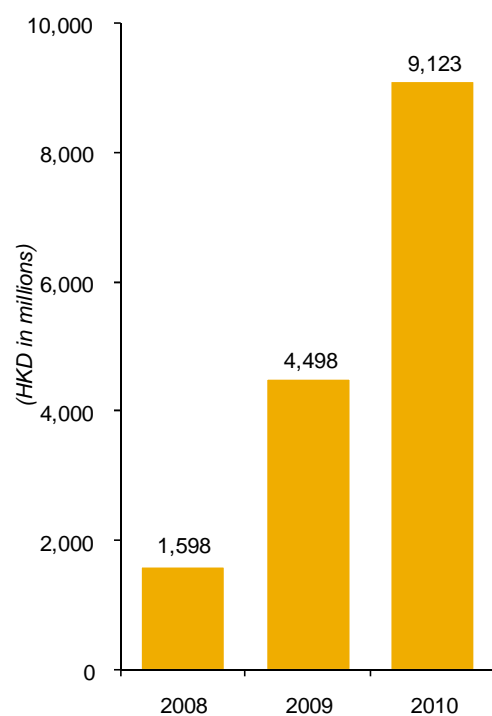


**EPS (GAAP vs. Non-GAAP)**

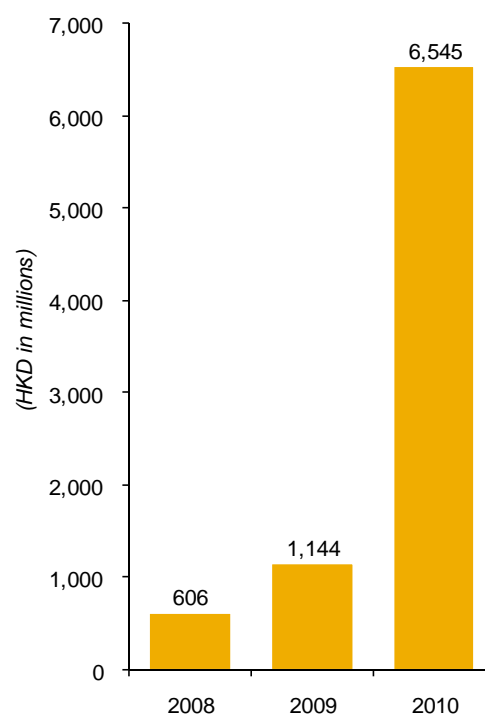


# Balance Sheet

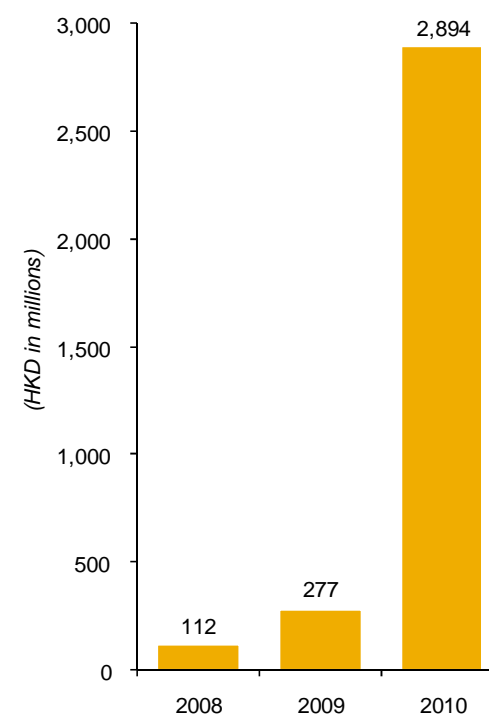
**Total asset**



**Total equity**



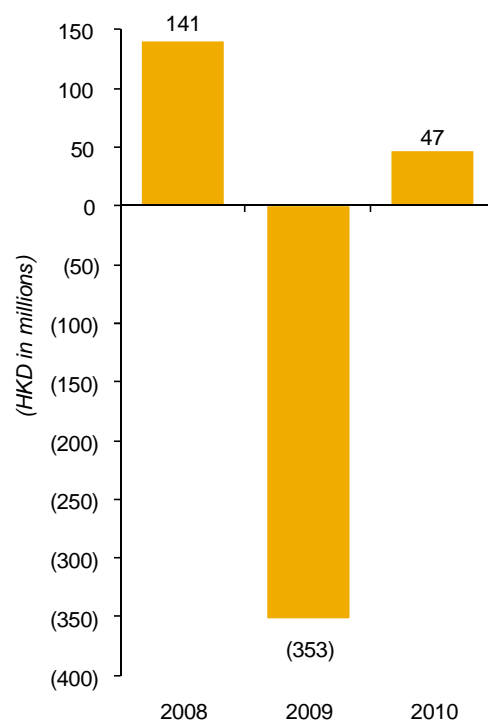
**Cash balance**



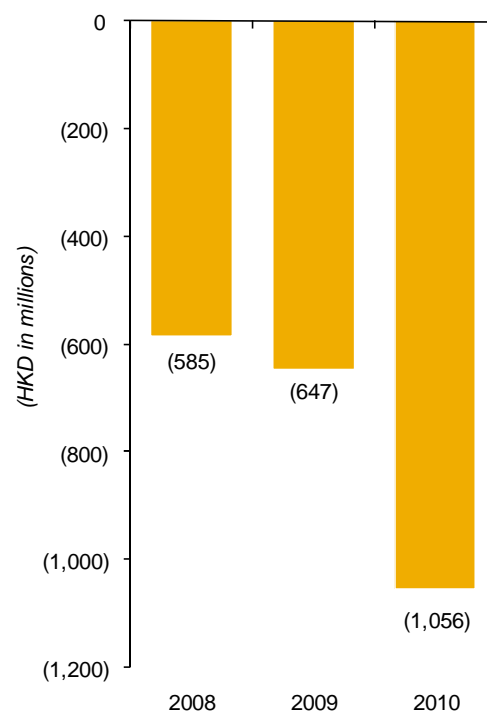


# Cash Flow

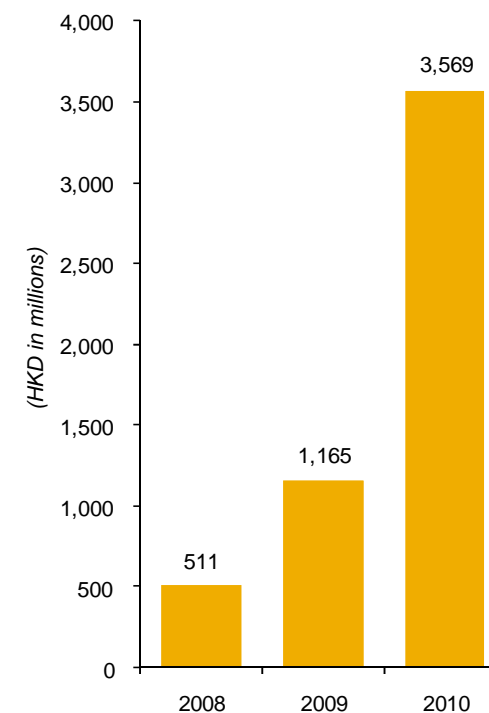
## Operating cash flow



## Investing cash flow

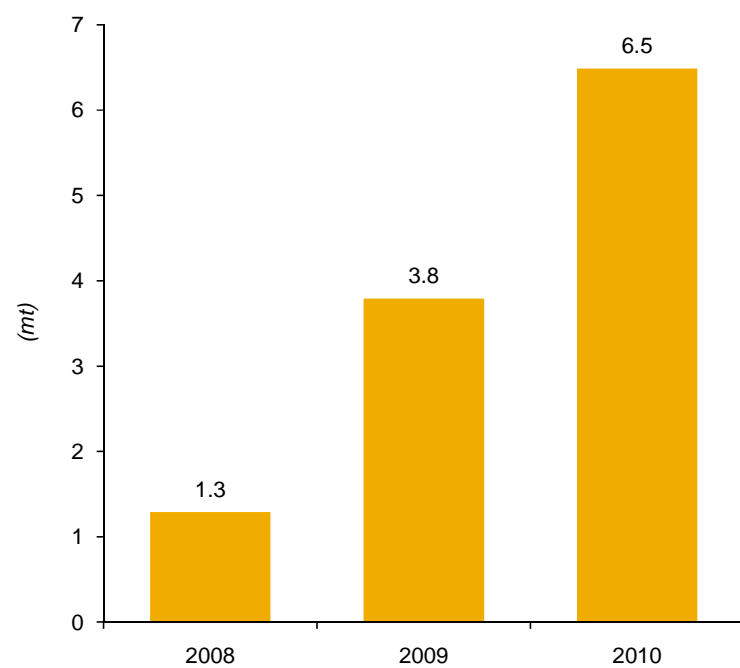


## Financing cash flow

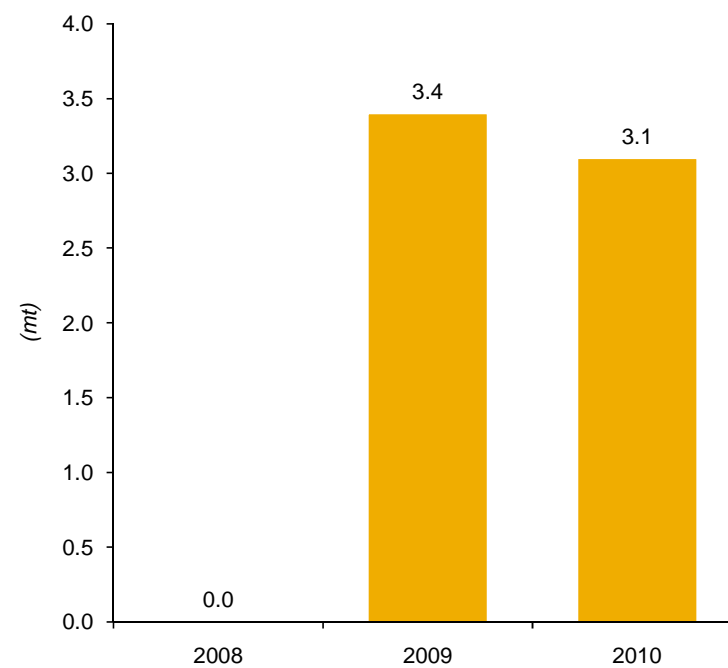


# Coal Procurement

**Mongolian coal volume (mt)**



**Seaborne procurement volume (mt)**

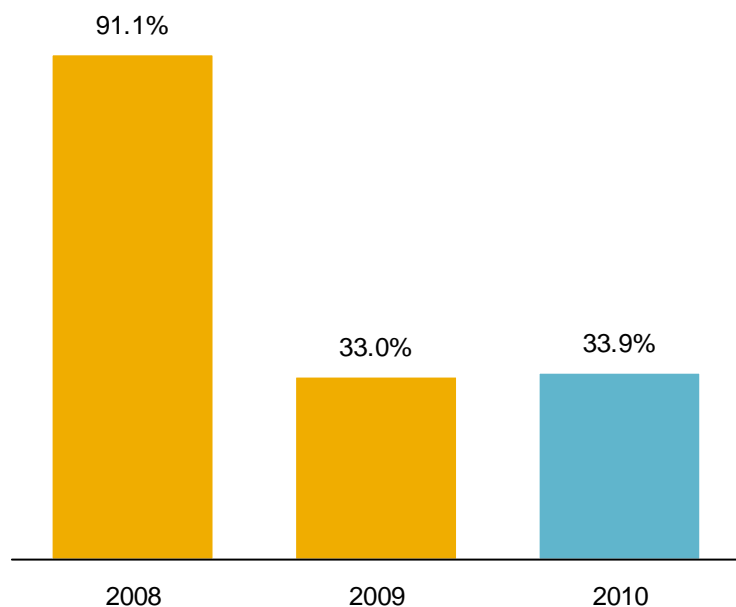


# Diversified Customer Base Reduces Winsway's Customer Concentration

## Top Customer Revenue Contribution

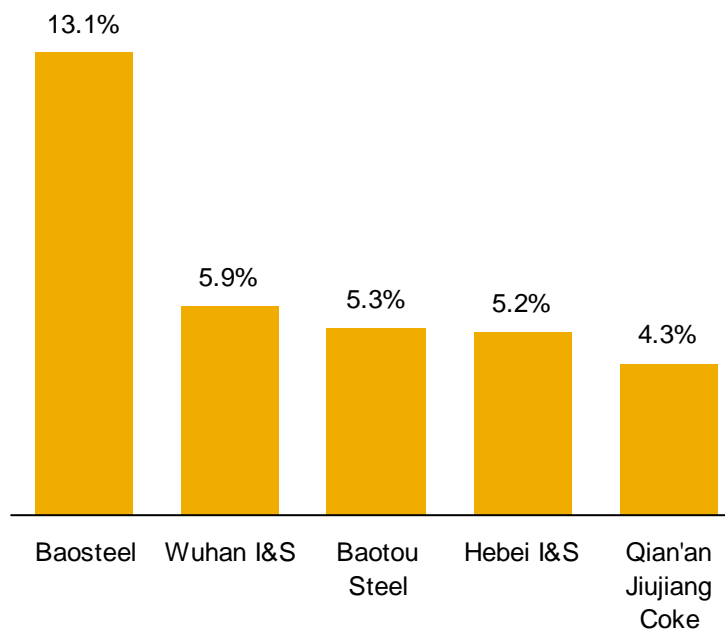
### Five Largest Total

(% of Total Revenue)



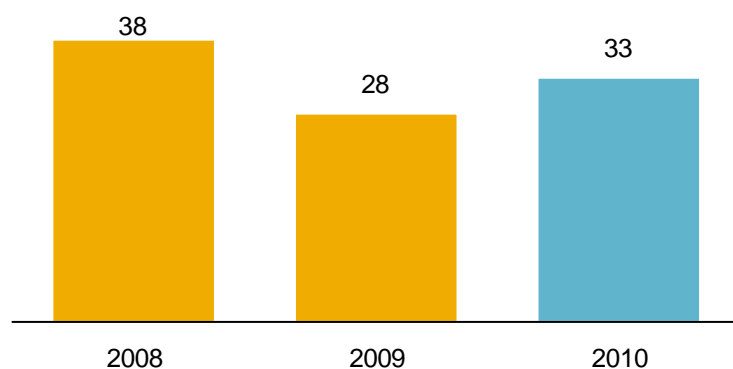
### 2010 Five Largest

Five Largest Total

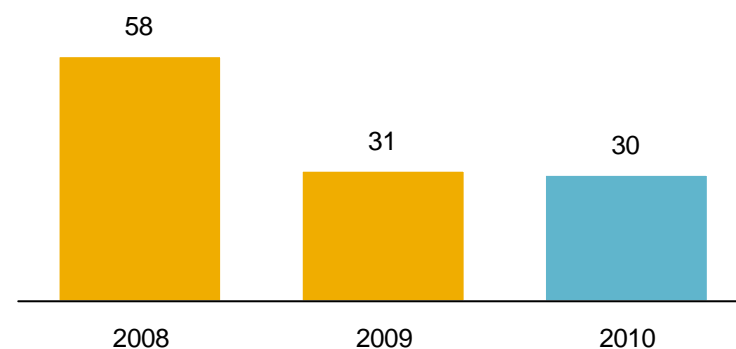


# Strong Working Capital Management

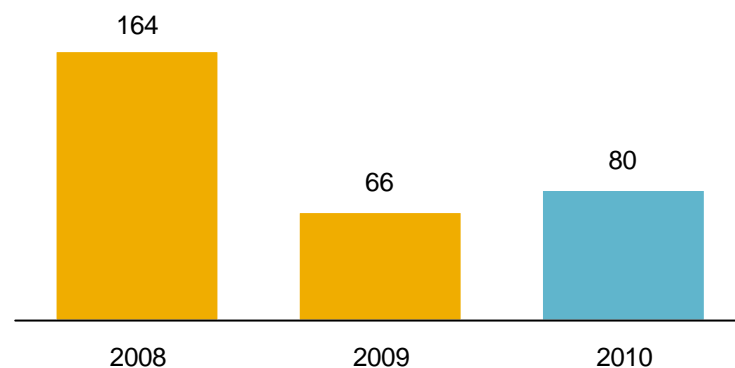
**A/R Turnover Days**



**A/P Turnover Days**

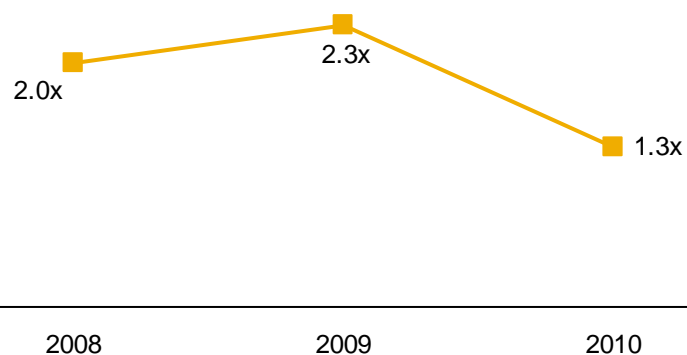


**Inventory Turnover Days**

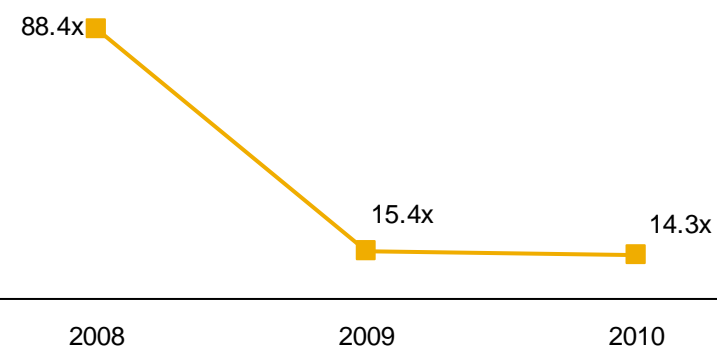


# Healthy Credit Ratios

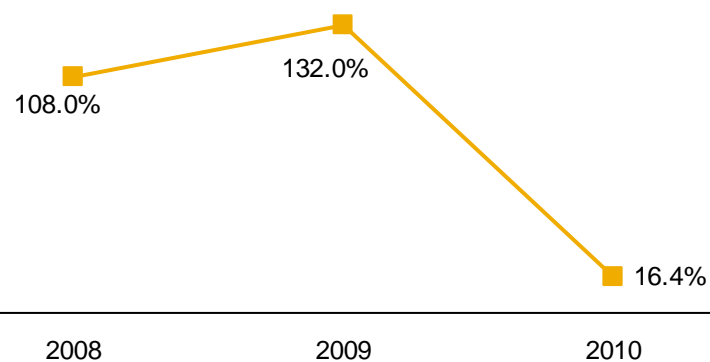
**Total debt/EBITDA**



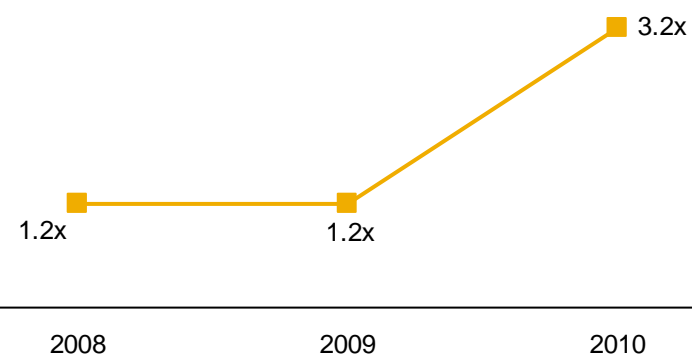
**EBITDA/interest**



**Total debt/equity**



**Current ratio**



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## IV. 2011 Outlook

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# 2011 Winsway Development

## Increase procurement volume from Mongolian suppliers

- Increase coking coal procurement volume from existing Mongolian suppliers
- Secure coking coal contracts from new suppliers coming online
- Potentially expand into iron ore logistical services in Mongolia

## Develop Russian land borne coal business

- Finish construction of the phase-1 Manzhouli coal loading station to facilitate the import of Russian coal and iron ore through land route
- Start construction of Suifenhe/Hunchun border crossing near the Pacific coast

## Diversify seaborne coal strategy

- Bayuquan and Longkou will bring 8 mtpa of washing capacity online before the middle of the year
- Processing will be the core of our seaborne business with trading as a compliment

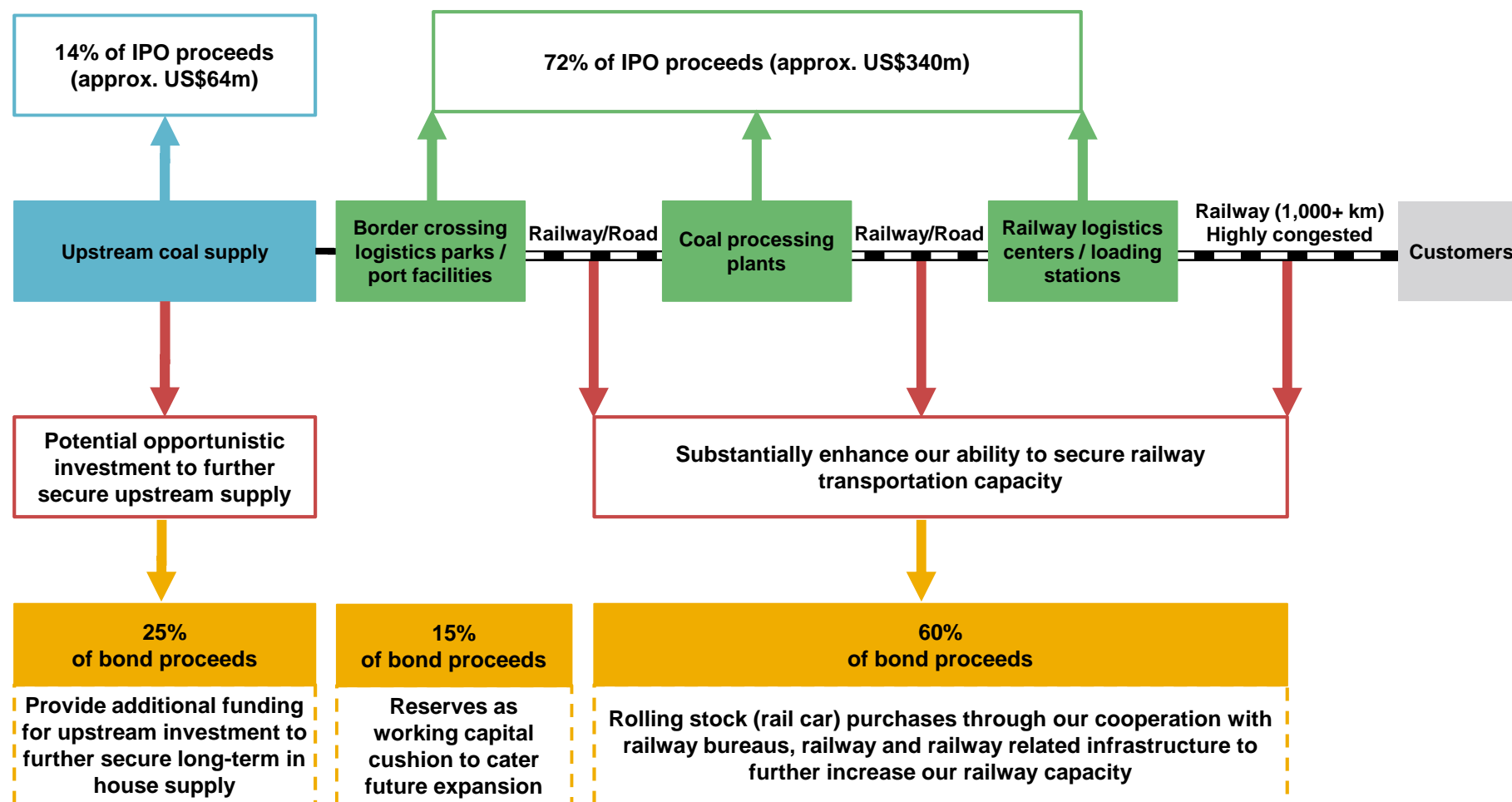
## Increase railway transportation allocation

- Continue to cooperate with MoR at all levels and take advantage of recent regulatory changes to purchase rolling stocks to increase our railway capacity and consequently our business volume

## Upstream Strategy

- Continue exploration work with our JV partner Peabody Energy in Mongolia to plan for in-house coking coal production in Mongolia in the near future
- Opportunistically acquire upstream coking coal assets to further ensure upstream supply and to take advantage of the increasing value of coking coal

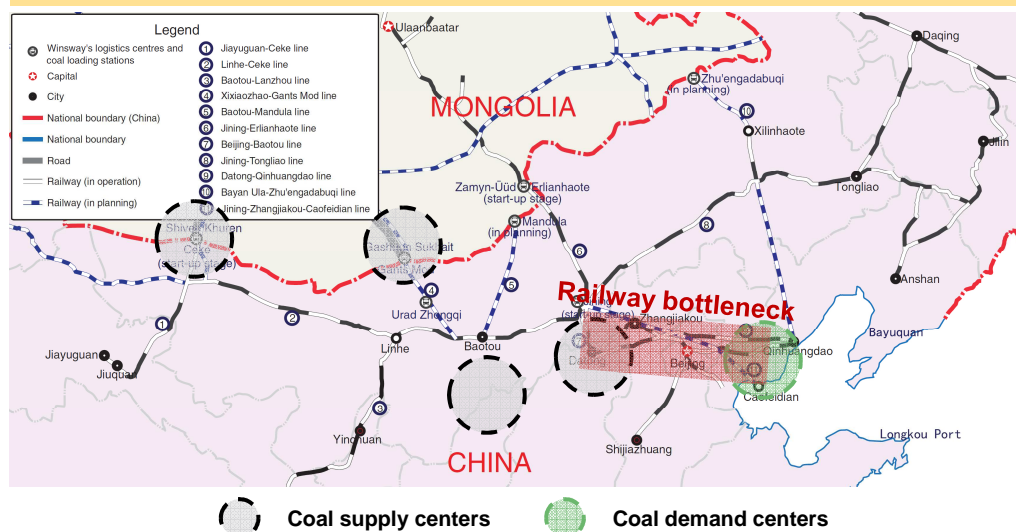
# Recent bond offering - rationale



# Recent bond offering – use of proceeds

**60%: rolling stock purchases through cooperation with railway bureaus and potential railway investments**

## The current railway bottleneck



### Production volume of China's two top coal producing provinces in 2010

Inner Mongolia	782mt
Shanxi	741mt
<b>Total</b>	<b>1,523mt</b>

### Current capacity of major coal transportation railways

Daqin	Approx. 410mt
Shenhua	Approx. 160mt
<b>Total</b>	<b>Approx. 570mt</b>

## Our strategy

- Rapidly increasing coal production in Inner Mongolia, Shanxi, Shaanxi and Mongolia has exceeded capacity of major coal transportation railways
- The performance of our Mongolian coal business is constraint by the railway capacity allocation we receive on such railways
- The bottleneck is caused by both the lack of railway infrastructure (in particular tracks) and equipment (in particular rolling stock)
- Investing in railway infrastructure and rolling stock (rail car) will create incremental capacity, and by utilizing such capacity, we will increase our volume and profit
- We plan to apply 60% of the proceeds from the bond offering towards rolling stock (rail car) purchases through our cooperation with railway bureau, and other potential railway investments

## 25%: Upstream investments

- Continuously look for upstream investment opportunities in Mongolia, Russia and other parts of the world to secure long-term stable supply
- Partner with leading mining companies to leverage their expertise

## 15%: Working capital and general purposes

- Provide working capital to support volume growth

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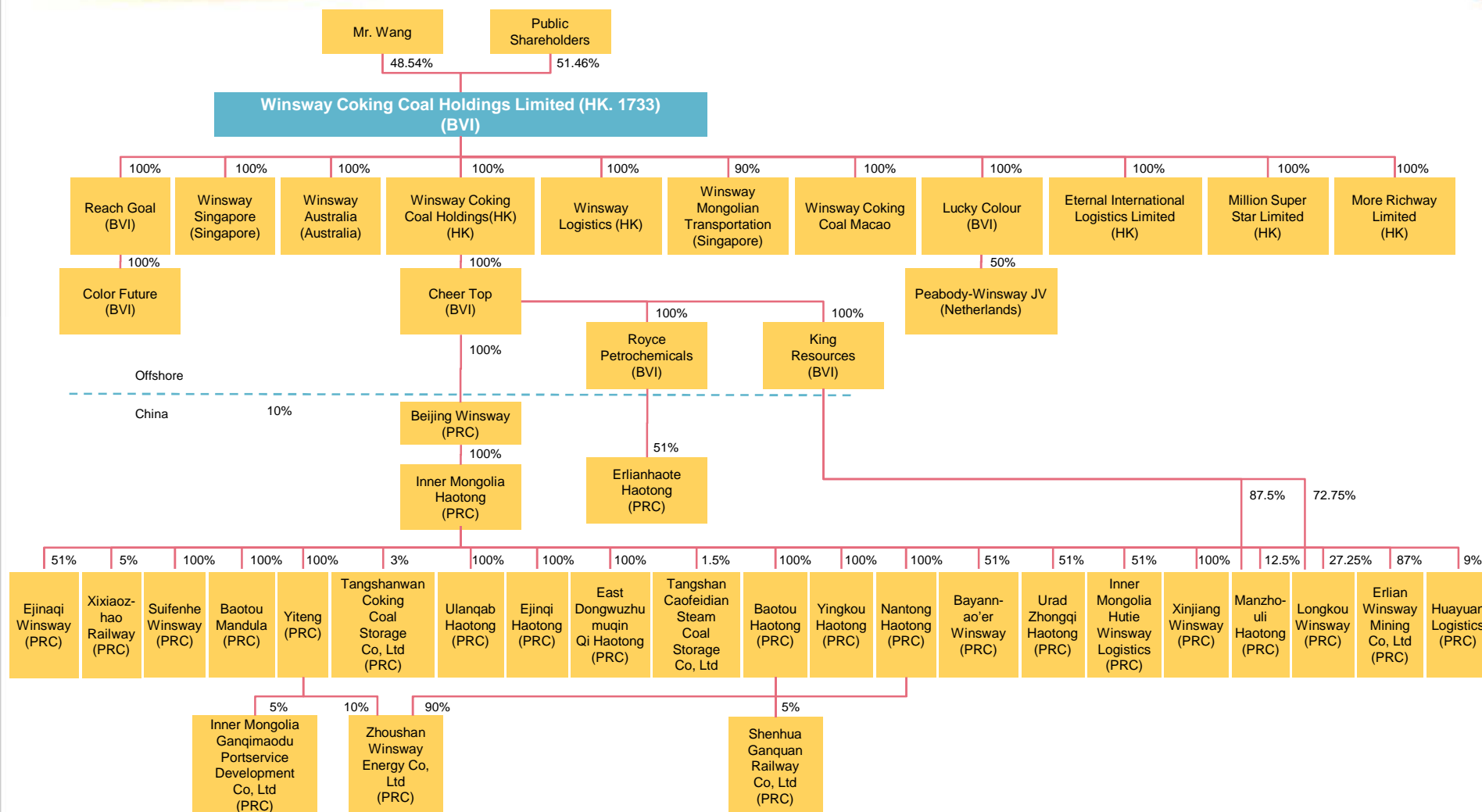
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## V. Appendix

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# Our corporate structure



# Distinguished Board of Directors

## Executive Directors



**Yasuhisa Yamamoto**  
(Executive Director)  
20+ years of senior management  
experience with Marubeni



**Zhu Hong Chan**  
(Executive Director)  
15+ years of  
commodities experience



**Wang Xing Chun**  
(Chairman and CEO)  
20+ years of  
commodities experience



**Cui Yong**  
(Executive Director)  
Extensive experience in financial  
and corporate management



**Paul Struijk**  
(Executive Director)  
35+ years of international  
commodity trading experience

## Non-Executive Directors

### Lu Chuan

(Assistant General Manager of Silver Grant)  
Extensive corporate management experience

### Guy Cui

(Managing Director of HOPU )  
15+ years of private equity &  
investment banking experience

### Liu Qingchun

(Business Director of China Minmetals)  
20+ years of metals and  
mining industry experience

## Independent Non-Executive Directors

### James Downing

(Ex-Deputy Head of JPMorgan's  
European Investment Banking group)  
30+ years of investment banking experience

### Ng Yuk Keung

(CFO of a private pharmaceutical company)  
Extensive financial experience including  
serving as CFO of Huiyuan Juice

### Jay Hambro

(Chairman of IRC Limited)  
13+ years of investment banking  
and business management experience

### Wang Wenfu

(Ex-President of Overseas Business at CHALCO)  
Extensive experience in mining  
and international trade



# Well Structured Corporate Governance

## Strong Board Structure

- Majority of the Board made up of either non-executive directors or independent non-executive directors (5 EDs, 3 NEDs and 4 INEDs)
- Highly qualified independent non-executive directors with both industry and financial background to ensure proper supervision of the senior management

## Independence from Controlling Shareholders

- Non-compete undertaking by the Chairman - cannot involve in any business which competes with Winsway
- The whole management team is full time with Winsway and fully independent from controlling shareholders' other businesses

## Nomination Committee

- Formulates and implements the nomination policy laid down by the Board
- Oversees the composition, structure and evaluation of the Board and its committees
- Majority made up of INEDs

## Audit Committee

- All made up of INEDs
- Oversees the financial reporting process, internal controls and risk management measures for the Board
- Highly qualified committee members, including the ex-CFO of China Huiyuan Juice Group












## Remuneration Committee

- Assesses remuneration policies for the directors and senior management to ensure the right level of remuneration is maintained
- Majority made up of INEDs

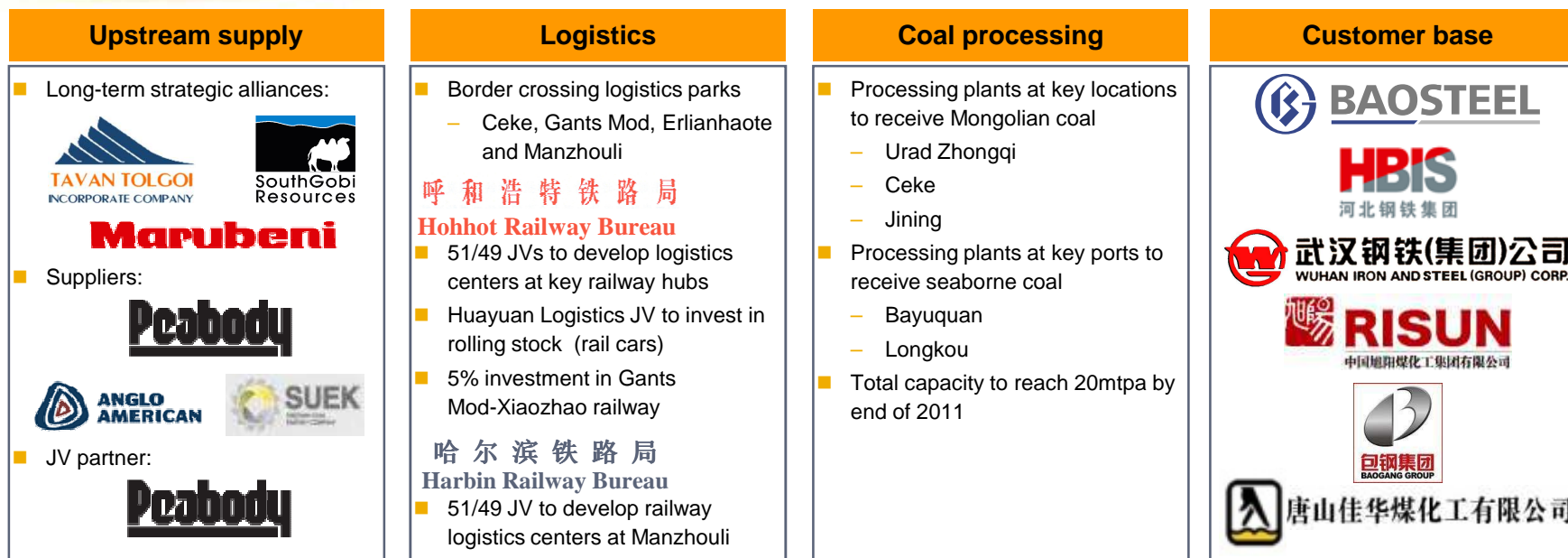
## Health and Safety and Environmental Committee

- Advises and assists the Board with respect to health, safety and environmental matters
- Chaired by INED Jay Hambro, Chairman of IRC, a leading iron ore company listed in Hong Kong

# Dedicated Management Team with Extensive Experience And Outstanding Execution Capability

	Name	Position	Time with Winsway	Biography
	Xingchun Wang	Chairman CEO	22 years	Responsible for formulating the overall business development strategies for our company and communication with key suppliers and customers of our group Has over 20 years of international commodities business and management experience, as well as 15 years of experience in the development of cross border logistics infrastructure and its operations Mr. Wang founded Macao Winsway (Group) Co. Ltd. in 1995
	Hongchan Zhu	Executive Director Vice President	16 years	Responsible for the management of the procurement of coal and sales activities Worked at Chemical Trading and Sales department of Winsway Group B.S. Management Engineering, Beijing University of Chemical Technology
	Yasuhisa Yamamoto	Executive Director	4 years	Responsible for procurement of seaborne coal Worked at Tokyo, London and HK offices of Marubeni Corporation B.S. Laws, Kobe University Over 20 years of international trading experience
	Paul Struijk	Executive Director	11 years	Responsible for the procurement of seaborne coal and mergers and acquisitions activities of our group Former CEO of Logos Chemical Co. Ltd. Worked at Landmark Chemicals and International Chemical
	Yong Cui	Executive Director	11 years	Responsible for strategy and new business development of our group Act as non-executive director of Xinyuan Real Estate (XIN.US) Acted as independent non-executive director of Yardway Group Limited (646.HK) and an independent non-executive director of Zhongshan Vantage Gas Appliance Stock Co., Ltd. PhD, School of Finance, Renmin University
	Qingrang Zhu	Executive Vice President	5 years	Responsible for transportation, domestic infrastructure and daily operation Former Senior Engineer of Hohhot Railway Bureau Diversified Operation Management Centre Mr. Zhu studied economics and business management at the Institute of the Party School of Central Committee of The Chinese Communist Party and graduated in 1995
	Tao Jiang	Executive Vice President	1 year	Responsible for the acquisition and management of upstream mining assets Former Executive Director of a leading buy-side firm, covering Natural Resources sector Over 10 years investment banking experience at Credit Suisse, Deutsche Bank, BNP Paribas and Societe Generale MSc in Coal Mining Engineering from Anhui Huainan Mining Institute, MBA from China Europe International Business School (CEIBS)
	Li Ma	Vice President	13 years	Responsible for the treasury functions and internal administration Worked at Baotou Steel B.S. Metallurgy, Baotou College of Iron & Steel; Master of Chemistry and MBA, University of Science and Technology Beijing
	Jerry Xie	CFO	2 years	Responsible for our capital markets activities, financial analysis, mergers and acquisitions and investors relationship Worked in Bank of China International, Bear Stearns, Deutsche Bank and Lehman Brothers B.S. in Chemical Engineering from Georgia Institute of Technology and MBA from New York University
	Yaxu Wang	Chief Accountant	16 years	Responsible for accounting and financial management of our group B.S. Management Engineering, Beijing University of Chemical Technology
	Xinyi Cao	Secretary to the Board	2 years	Secretary to the Board Prior experience with PWC B.S. Business Administration, City University of Hong Kong Member of Hong Kong Institute of Certified Public Accountant

# Strengths across the value chain supported by key stakeholders

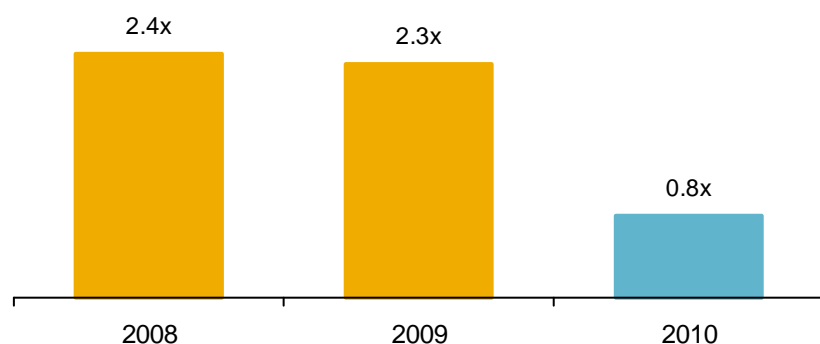


Back-to-back pricing mechanism to minimize coal price risk and inventory risk

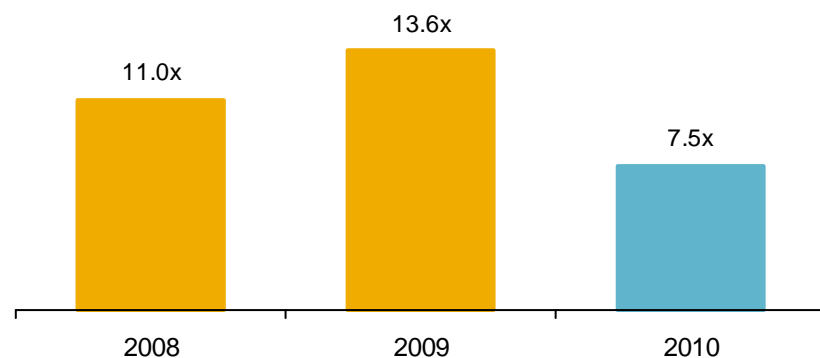


# Healthy credit and liquidity profile

## Total debt/EBITDA









## EBITDA/interest











## Available bank facilities



### Overseas facilities

	OCBC	US\$135 million
	Agricultural Bank of China	US\$100 million
	Deutsche Bank	US\$75 million
	ING Bank	US\$75 million
	Rabobank	US\$70 million
	ANZ Bank	US\$35 million

### PRC trade finance facilities

	Bank of China	
	Bank of Jiangsu	
	RZB Bank	
	Bank of Communications	
	Everbright Bank	RMB 1,933 million and US\$6 million
	Nanyang Commercial Bank	
	Bank of Nanjing	
	Agricultural Bank of China	

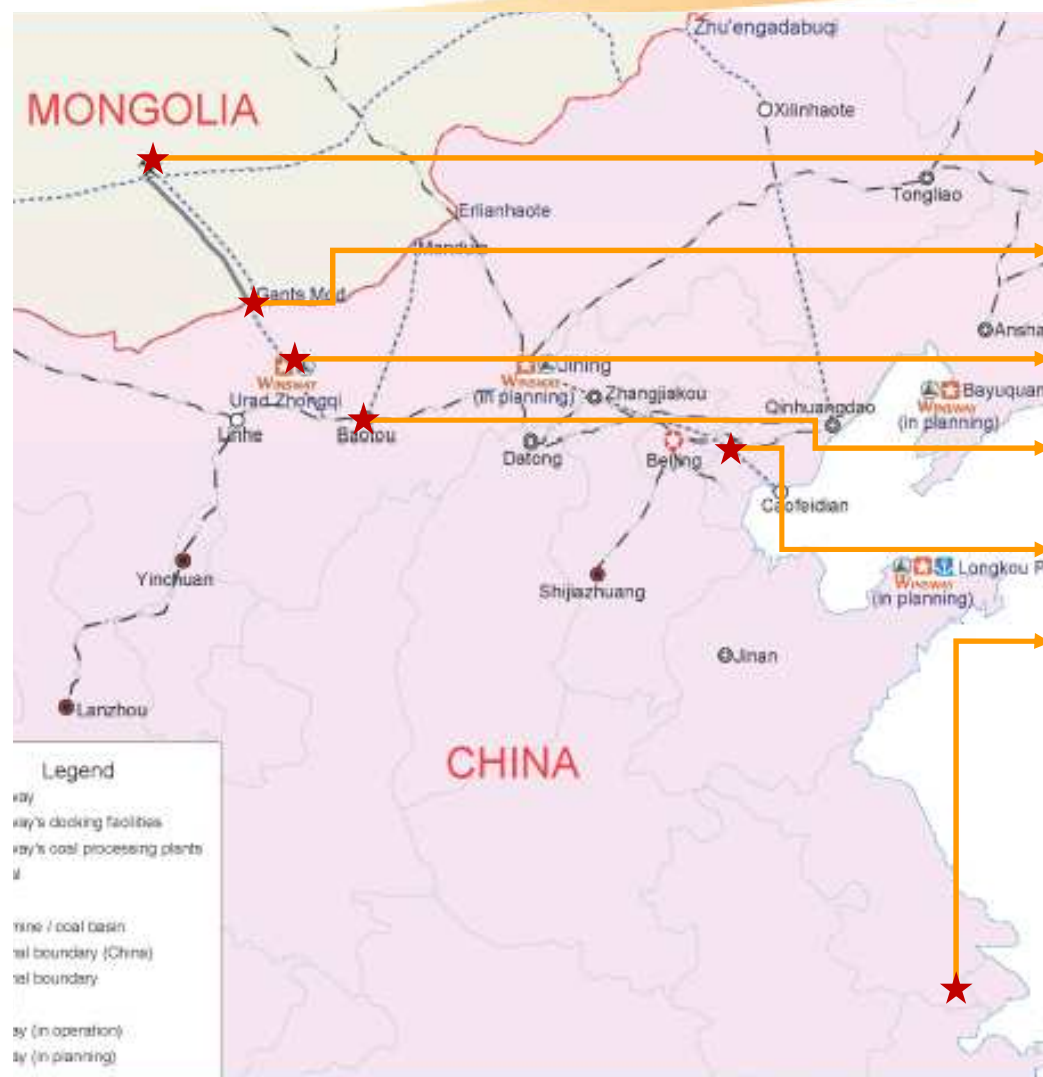
### PRC project finance facilities

	Agricultural Bank of China	RMB67 million
	Nanyang Commercial Bank	RMB60 million

**Total**

**Approx US\$800 million**

# Robust pass-through back-to-back business model



Illustrative Cost Breakdown for Mongolian Coal			
(US\$/tonne)	Cost (raw)	Cost (clean)	ASP (clean)
<b>Mine mouth</b>	54		
Truck (240km)	24		
<b>Border crossing</b>			
Truck (150km)	6		
<b>Wash plant</b>	3	87/75%=116	
Truck/Rail (180km)		+9	
<b>Baotou</b>		=125	145
Rail (~1,000km)		+30	
<b>Hebei/Port</b>		=155	185
Freight (~1,000km)		+10	
<b>Shanghai</b>		=165	195

*Note: All prices exclusive of VAT*

