Offering Memorandum **Strictly confidential**

Winsway Coking Coal Holdings Limited

永暉焦煤股份有限公司

(incorporated with limited liability under the laws of the British Virgin Islands)

US$500,000,000 8.50% Senior Notes due 2016

Issue price: 100% and accrued interest, if any

Winsway Coking Coal Holdings Limited, (the "Company"), a company with limited liability under the laws of the British Virgin Islands, is issuing US$500,000,000 8.50% Senior Notes due 2016 (the "Notes" and, such issue, the "Offering"). The Notes will bear interest from 8 April 2011 at 8.50% per annum payable semi-annually in arrears on 8 April and 8 October of each year, beginning 8 October 2011. The Notes will mature on 8 April 2016.

The Notes are senior obligations of the Company guaranteed by our existing subsidiaries (the "Subsidiary Guarantors") (such guarantees provided by the Subsidiary Guarantors, the "Subsidiary Guarantees") other than those organized under the laws of the PRC and Winsway Coking Coal Macao (as defined herein).

The Company may at its option redeem the Notes, in whole or in part, at any time on or after 8 April 2014, at redemption prices set forth in this Offering Memorandum plus accrued and unpaid interest, if any, to the redemption date. At any time and from time to time prior to 8 April 2014, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company at a redemption price of 108.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date. In addition, the Company may redeem the Notes, in whole but not in part, at any time prior to 8 April 2014, at a price equal to 100% of the principal amount of the applicable Notes plus a premium as set forth in this Offering Memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined herein), the Company must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will (1) rank senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (2) at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law), (3) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined herein), and (4) effectively subordinated to all existing and future secured obligations of the Company to the extent of the collateral securing such obligations (other than the Collateral (as defined herein) securing the Notes). However, applicable law may limit the enforceability of the Subsidiary Guarantees and the pledge of any Collateral. See "Risk Factors—Risks Relating to the Subsidiary Guarantees and the Collateral."

For a more detailed description of the Notes, see "Description of the Notes" beginning on page 169.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, or opinions expressed or reports contained in this Offering Memorandum. Admission of the Notes to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the Company, its respective subsidiaries or associated companies or the Notes.

Investing in the Notes involves significant risks. See "Risk factors" beginning on page 22.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold by the Initial Purchasers (as defined herein) only (1) to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A thereunder ("Rule 144A") and (2) outside the United States in compliance with Regulation S under the Securities Act ("Regulation S").

For a description of these and certain further restrictions on offers, sales and transfers of the Notes and the distribution of this Offering Memorandum, see "Transfer Restrictions" and "Plan of Distribution" beginning on page 267.

It is expected that the delivery of the Notes will be made through the facilities of The Depository Trust Company on or about 8 April 2011 in New York, New York against payment therefor in immediately available funds.

Joint Bookrunners and Joint Lead Managers

Deutsche Bank **BofA Merrill Lynch** **Goldman Sachs (Asia) L.L.C.** **ICBC International**

The date of this Offering Memorandum is 1 April 2011.

TABLE OF CONTENTS

IMPORTANT INFORMATION

This Offering Memorandum (the "Offering Memorandum") does not constitute an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction.

Investors should rely only on the information contained in this Offering Memorandum. We have not, and the Joint Bookrunners and the Joint Lead Managers have not, authorized any other person to provide investors with different information. If anyone provides any investor with different or inconsistent information, such investor should not rely on it.

No representation or warranty, express or implied, is made or given by the Joint Bookrunner or the initial purchasers as to the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or should be relied upon as, a promise or representation by the Joint Bookrunner or the initial purchasers as to the past or future. We have furnished the information contained in this Offering Memorandum. Each investor should assume that the information appearing in this Offering Memorandum is accurate only as of the date on the front cover of this Offering Memorandum. Our business, financial condition or results of operations may have changed since that date.

Market data and certain industry forecasts and statistics in this Offering Memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Such information has not been independently verified by us, the Joint Bookrunner or the initial purchasers or our or the Joint Bookrunners' or the initial purchasers' respective directors and advisors, and neither we, the Joint Bookrunners, the initial purchasers nor our or the Joint Bookrunners' or the initial purchasers' respective directors and advisors make any representation as to the accuracy or completeness of such information. This Offering Memorandum summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in this Offering Memorandum. In making an investment decision, each investor must rely on its own examination of the Group and the terms of the offering and the Notes and Subsidiary Guarantees, including the merits and risks involved.

Prospective purchasers are hereby notified that sellers of the securities (the Notes and the Subsidiary Guarantees) may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. We are not, and the Joint Bookrunners and the initial purchasers are not, making an offer to sell the securities (the Notes and the Subsidiary Guarantees) in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Memorandum and the offering of the securities (the Notes and the Subsidiary Guarantees) may in certain jurisdictions be restricted by law. Persons into whose possession this Offering Memorandum comes are required by us, the Joint Bookrunners and the initial purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the securities (the Notes and the Guarantees) and the distribution of this Offering Memorandum, see the section entitled "Plan of Distribution". By purchasing the securities (the Notes and the Subsidiary Guarantees), investors will be deemed to have made the acknowledgments, representations, warranties and agreements described under the heading "Transfer Restrictions" in this Offering Memorandum.

This Offering Memorandum has been submitted confidentially to a limited number of institutional investors so that they can consider a purchase of the securities (the Notes and the Subsidiary Guarantees). Neither we nor the initial purchasers have authorized its use for any other purpose. This Offering Memorandum may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Memorandum, you agree to these restrictions. See "Transfer Restrictions".

The distribution of this Offering Memorandum and the offering and sale of the securities (the Notes and the Subsidiary Guarantees) may, in certain jurisdictions, be restricted by law. Each purchaser of the securities (the Notes and the Subsidiary Guarantees) must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the securities (the Notes and the Subsidiary Guarantees) or possesses or distributes this Offering Memorandum, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the securities (the Notes and the Subsidiary Guarantees) under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. There are restrictions on the offer and sale of the securities (the Notes and the Subsidiary Guarantees) and the circulation of documents relating thereto in certain jurisdictions, including the United States, the United Kingdom, the PRC, Japan, the BVI, Hong Kong, Australia and Singapore, and to persons connected therewith.

No representation is made by us, the Joint Bookrunners or the initial purchasers that this Offering Memorandum may be lawfully distributed or that the securities (the Notes and the Subsidiary Guarantees) may be lawfully offered in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes responsibility for facilitating any such distribution or offering or for a purchaser's failure to comply with applicable laws and regulations. For a description of certain restrictions on offers and sales of the Notes, and distribution of this Offering Memorandum, see "Transfer Restrictions" and "Plan of Distribution."

Neither we, the Joint Bookrunners, the initial purchasers nor any of our, the Joint Bookrunners' or the initial purchasers' respective representatives are making any representation to any purchaser of the securities (the Notes and the Subsidiary Guarantees) regarding the legality of an investment in the securities (the Notes and the Subsidiary Guarantees) by such purchaser under any legal investment or similar laws or regulations. Investors should not consider any information in this Offering Memorandum to be legal, business or tax advice. Each investor should consult its own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes.

Each person receiving this Offering Memorandum acknowledges that such person has not relied on the Joint Bookrunners and the initial purchasers or any person affiliated with the Joint Bookrunners or the initial purchasers in connection with his or her investigation of the accuracy of such information or his or her investment decision.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS, EACH POTENTIAL INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF SUCH POTENTIAL INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTIONS DESCRIBED IN THIS OFFERING MEMORANDUM AND ALL MATERIALS OF ANY KIND THAT ARE PROVIDED TO THE POTENTIAL INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE (AS SUCH TERMS ARE DEFINED IN U.S. TREASURY REGULATION SECTION 1.6011-4).

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these Notes or the Subsidiary Guarantees or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

The Company and the initial purchasers reserve the right to reject any offer to purchase any Notes, in whole or in part, for any reason, or to sell less than the aggregate principal amount of Notes offered by this Offering Memorandum.

In connection with the issue of the Notes, Deutsche Bank AG, Singapore Branch (or its affiliates), as stabilizing manager may, subject to applicable laws and regulations, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the time of delivery. However, there is no obligation on Deutsche Bank AG, Singapore Branch to do so. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

For so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act, at any time when we are not subject to Sections 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, we will furnish, upon request, to any holder or beneficial owner of the Notes, or any prospective purchaser designated by any such holder or beneficial owner, information satisfying the requirements of Rule 144A(d)(4)(i) under the US Securities Act to permit compliance with Rule 144A in connection with resales of the Notes.

As a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, we are subject to the reporting, announcement and compliance obligations set forth in the HK Listing Rules from time to time in force.

ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated in the BVI with limited liability. However, all of our operating subsidiaries are incorporated in and operate principally in the PRC and all or a substantial portion of our assets are located in the PRC. The BVI and PRC have different bodies of securities laws from that of the United States and protections for investors may differ.

All of our assets are located outside the United States. In addition, all of our directors and officers are nationals or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or such persons or to enforce against us or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

The Company and each Subsidiary Guarantor will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint CT Corporation for receipt of service of process in any such suit, action or proceeding.

We have been advised by Maples and Calder, our counsel as to BVI law, that the United States and the BVI do not have a treaty providing for reciprocal recognition and enforcement of judgments of courts of the United States in civil and commercial matters and that a final judgment for the payment of money rendered by any general or state court in the United States based on civil liability, whether or not predicated solely upon the US federal securities laws, would not be automatically enforceable in the BVI. We have also been advised by Maples and Calder that a final and conclusive judgment obtained in the federal or state courts of the United States under which a sum of money is payable as compensatory damages (i.e., not being a sum claimed by a revenue authority for taxes or other charges of a similar nature by a governmental authority, or in respect of a fine or penalty or multiple or punitive damages) may be treated by the BVI courts as a cause of action in itself so that no retrial of the issues would be necessary provided that (a) such federal or state courts of the United States had jurisdiction in the matter, (b) such judgment was not obtained by fraud, (c) recognition or enforcement of the judgment in the BVI would not be contrary to public policy and (d) the proceedings pursuant to which the judgment was obtained were not contrary to natural justice.

We have been advised by King & Wood PRC Lawyers, our PRC legal counsel, that the PRC has no arrangement for the reciprocal enforcement of judgments with the United States.

We have been advised by Reed Smith Richards Butler, our Hong Kong legal counsel, that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States.

We have been advised by Allen & Gledhill LLP, our Singapore legal counsel, that Singapore has no arrangement for the reciprocal enforcement of judgments with the United States.

We have been advised by McCullough Robertson, our Australian legal counsel, that Australia has no arrangement for the reciprocal enforcement of judgments with the United States.

There is doubt as to the enforceability in Singapore in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States or the securities laws of any State or territory within the United States.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Offering Memorandum, all references to “our Company” refer to the Company and references to “Group”, “our Group”, “our”, “we” and “us” refer to our Company and its subsidiaries or, where the context so requires in respect of a period before the Company became the holding company of such present subsidiaries, the subsidiaries of the Company and the business carried on at the relevant time by such subsidiaries or their predecessors (as the case may be).

Our consolidated financial statements have been prepared and presented in accordance with International Financial Reporting Standards (“IFRSs”), which differ in certain respects from accounting principles generally accepted in certain other countries, including generally accepted accounting principles in the United States.

In this Offering Memorandum, all references to “US$” and “US dollars” are to United States dollars, the official currency of the United States; all references to “HK$” and “HK dollars” are to Hong Kong dollars, the official currency of Hong Kong; and all references to “RMB” or “Renminbi” are to Renminbi, the official currency of the People’s Republic of China. Solely for your convenience, this Offering Memorandum contains translation of certain Renminbi amounts into US dollars, of Renminbi amounts into Hong Kong dollars and of Hong Kong dollars into US dollars at specified rates. Unless we indicate otherwise, the translations of Renminbi amounts into US dollars and Hong Kong dollar amounts into US dollars were made at the rate of RMB6.600 to US$1.00, and the rate of HK$7.781 to US$1.00, respectively, the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York (the “Noon Buying Rate”) on 30 December 2010, as set forth in the weekly H.10 statistical release of the Federal Reserve Board. The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.851 to HK$1.00, the average exchange rate set by the People’s Bank of China for foreign exchange transactions prevailing on 31 December 2010. Effective 1 January 2009, the Federal Reserve Board discontinued publication of its daily Noon Buying Rate update and now publishes the Noon Buying Rate data from the previous week on a weekly basis. Further information regarding exchange rates are set forth in the section headed “Exchange Rate Information” in this Offering Memorandum. You should not construe these translations as representations that the Renminbi amounts could actually be converted into US dollar amounts or any HK dollar amounts could be converted into US dollar amounts, at the rates indicated or at all.

The statistics set forth in this Offering Memorandum relating to the PRC and the coking coal industry in the PRC and in the world were taken or derived from various government and private publications. Neither we nor the initial purchasers, make any representation as to the accuracy or reliability of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent data collection and consolidation methods and other associated data collection difficulties, the statistics herein may be inaccurate and should not be unduly relied upon.

DEFINITION

In this Offering Memorandum, unless the context otherwise requires, the following words and expressions have the following meanings.

"Articles of Association" or "Articles"	the articles of association of our Company as amended from time to time
"Baosteel"	寶鋼集團有限公司 (Baosteel Group Corporation*), a leading iron and steel manufacturer in Shanghai and one of our key customers
"Baotou Steel"	包頭鋼鐵（集團）有限責任公司 (Baotou Iron & Steel (Group) Co., Ltd.*), a leading iron and steel manufacturer in Inner Mongolia and one of our key customers
"Baotou Haotong"	包頭市浩通能源有限責任公司 (Baotou-city Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 18 September 2008 and our indirectly wholly-owned subsidiary
"Baotou Mandula"	包頭市滿都拉永暉能源有限公司 (Baotou Mandula Winsway Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 21 January 2010 and our indirectly wholly-owned subsidiary
"Bayannao'er Winsway"	巴彥淖爾市如意永暉能源有限公司 (Bayannao'er City Ruyi Winsway Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 14 July 2010 which is owned as to 51% by Inner Mongolia Haotong and 49% by Mongolia Hutie
"Beijing Winsway"	北京永暉投資管理有限公司 (Beijing Winsway Investment Management Co., Ltd.*), a Sino-foreign joint venture company established under the laws of the PRC with limited liability on 6 November 1995, our indirectly wholly-owned subsidiary and now a wholly foreign-owned enterprise
"Beijing Winsway Investment"	北京永暉投資有限公司 (Beijing Winsway Investment Co., Ltd.*), a company established under the laws of the PRC with limited liability on 18 November 1999 and indirectly owned by Mr. Wang
"Board"	our board of Directors
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which banks in The City of New York or in Hong Kong (or in any other place in which payments on the Notes are to be made) are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR(s)"	compound annual growth rate
"Champaign"	Champaign Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 23 April 2010 and wholly owned by Wong Im Lei, an Independent Third Party

"Cheer Top"	Cheer Top Enterprises Limited, a company incorporated under the laws of the BVI with limited liability on 5 January 2005 and our indirectly wholly-owned subsidiary
"China" or "PRC"	the People's Republic of China, but for the purpose of this Offering Memorandum and for geographical reference only and except where the context requires, references in this Offering Memorandum to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region and Hong Kong
"China Minmetals Corporation"	中國五礦集團公司 (China Minmetals Corporation), a company incorporated in the PRC on 10 March 1950 with address at 5 Sanlihe Road, Haidian District, Beijing, China
"CIS"	the Commonwealth of Independent States
"Color Future"	Color Future International Limited, a company incorporated under the laws of the BVI with limited liability on 5 January 2005 and our indirectly wholly-owned subsidiary
"Companies Act"	the BVI Business Companies Act 2004 and any amendment thereto
"Company" or "our Company"	Winsway Coking Coal Holdings Limited (永暉焦煤股份有限公司) (HKSE Stock Code:1733), a company incorporated under the laws of the BVI with limited liability on 17 September 2007
"Controlling Shareholders"	unless the context otherwise requires, refers to Mr. Wang, Winsway Group Holdings and Winsway Resources Holdings
"Convertible Bonds"	collectively (i) the three-year convertible bonds due 2013 in the principal aggregate amount of US$50,000,000 issued by our Company to Coppermine and Silver Grant on 20 April 2010 and (ii) the three-year convertible bonds due 2013 in the principal amount US$10,000,000 issued by our Company to ITOCHU on 30 April 2010
"Coppermine"	Coppermine Resources Limited, a company incorporated under the laws of the BVI on 12 January 2001 with its registered address at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI
"Deutsche Bank"	Deutsche Bank AG, Singapore Branch
"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
"Ejinaqi Winsway"	額濟納旗如意永暉能源有限公司 (Ejina Qi Ruyi Winsway Energy Co., Ltd.*), a company established under the laws of the PRC with limited

	liability on 30 June 2010 which is owned as to 51% by Inner Mongolia Haotong and 49% by Mongolia Hutie
"Erlian Winsway Mining"	二連永暉礦業有限公司 (Erlian Winsway Mining Co., Ltd.*), a company established under the laws of the PRC on 14 January 2011 which is owned as to 87% by Inner Mongolia Haotong
"Erlianhaote Haotong"	二連浩特浩通能源有限公司 (Erlianhaote Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 18 January 2007 and our indirect non-wholly-owned subsidiary
"GDP"	gross domestic product
"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
"Goldman Sachs"	Goldman Sachs (Asia) L.L.C.
"Gold Shine"	Gold Shine Enterprise Limited, a company incorporated under the laws of the BVI with limited liability on 10 April 2008 which is owned by Guo Qi, an Independent Third Party
"Group", "our Group", "we" or "us"	our Company and its subsidiaries, and where the context so requires, in respect of the period prior to our Company becoming the holding company of its current subsidiaries, such subsidiaries as if they were our Company's subsidiaries during such period
"Harbin Railway Bureau"	哈爾濱鐵路局對外經濟技術合作公司 (Harbin Railway Bureau Foreign Economic and Technology Cooperation Corporation*)
"Hebei Steel"	河北鋼鐵集團有限公司 (Hebei Iron & Steel Group Co., Ltd.*), a leading steel supplier in Hebei Province and one of our key customers
"HIBOR"	Hong Kong Interbank Offered Rate
"HK$", "Hong Kong dollars", "HKD" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HK Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hohhot Railway Bureau"	呼和浩特鐵路局 (the Hohhot Railway Bureau*), a regional railway bureau under the jurisdiction of the Ministry of Railways and an Independent Third Party
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"HOPU"	HOPU USD Master Fund I L.P., one of the largest China-focused private equity funds

"Huayuan Logistics"	內蒙古華遠現代物流有限責任公司 (Inner Mongolia Huayuan Logistics Company Limited*), a company established under the laws of the PRC with limited liability on 27 January 2011 which is owned as to 9% by Inner Mongolia Haotong and 20% by Mongolia Hutie Investment
"ICBCI Capital"	ICBC International Capital Limited
"ICBCI Securities"	ICBC International Securities Limited
"IFRSs"	International Financial Reporting Standards
"Indenture"	the indenture relating to the Offering to be entered into by our Company and the initial purchasers on or around 8 April 2011
"Independent Third Party(ies)"	a person(s) or company(ies) who/which is/are independent of and not connected with our Company and our connected persons
"Inner Mongolia"	Inner Mongolia Autonomous Region
"Inner Mongolia Ganqimaodu"	內蒙古甘其毛都港務發展股份有限公司 (Inner Mongolia Ganqimaodu Port Service Development Co., Ltd.*), a joint stock company established under the laws of the PRC with limited liability on 6 December 2010 in which Yiteng owns 5% of the equity interest
"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
"Inner Mongolia Hutie Winsway Logistics"	內蒙古呼鐵永暉物流有限公司 (Inner Mongolia Hutie Winsway Logistics Co., Ltd.*), a company established under the laws of the PRC with limited liability on 22 July 2010 which is owned as to 51% by Inner Mongolia Haotong, 35% by Mongolia Hutie Investment and 14% by Ulanqab Huatong Logistics
"IPO"	the initial public offering and listing of 990 million Shares of the Company on the Main Board of the Hong Kong Stock Exchange on 11 October 2010
"ITOCHU"	ITOCHU Corporation, a company with its principal place of business at 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo 107-8077, Japan
"Jiujiang Qian'an Coke"	遷安市九江煤炭儲運有限公司 (Qian'an city of Jiujiang Coal Logistics Co Ltd*), a limited liability company incorporated in Hebei Province of China in August 2005 and engaged in coal storage, transportation and logistics business and one of our key customers
"King Resources"	King Resources Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 2 January 2009 and our indirectly wholly-owned subsidiary
"King & Wood"	King & Wood PRC Lawyers

"Listing"	the listing of our Notes on the SGX-ST
"Listing Date"	the date, expected to be on 11 April 2011, on which the Notes commence to be listed on the SGX-ST
"LIBOR"	London Interbank Offered Rate
"Longkou Winsway"	龍口市永暉能源有限公司 (Longkou Winsway Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 27 April 2010 and our indirectly wholly-owned subsidiary
"Lucky Color"	Lucky Color Limited, a company established under the laws of the BVI with limited liability on 11 March 2008 and our wholly-owned subsidiary
"Macau"	the Macau Special Administrative Region of the PRC
"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"	滿洲里海鐵永暉儲運有限公司 (Manzhouli Haitie Yonghui Storage & Transportation Co., Ltd.*), a joint venture established under the laws of the PRC with limited liability on 1 March 1995 as to 50% equity interest held by Goldliq and 50% equity interest held by 哈爾濱鐵路局對外經濟技術合作公司海拉爾分公司 (Harbin Railway Bureau Foreign Economic and Technological Cooperation Company Halaer Branch Company*)
"Manzhouli Haotong"	滿洲里浩通能源有限公司 (Manzhouli Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 23 December 2009 and our indirectly wholly owned subsidiary
"Ministry of Railways"	the Ministry of Railways of the PRC
"Mongolia Hutie"	內蒙古呼鐵對外經濟技術合作集團有限責任公司 (Inner Mongolia Hutie Foreign Economic and Technological Cooperation Group Co., Ltd.*), a company established under the laws of the PRC with limited liability on 24 February 2003 and an Independent Third Party
"Mongolia Hutie Investment"	內蒙古呼鐵投資發展中心 (Inner Mongolia Hutie Investment Development Center*), a state owned company established under the laws of the PRC and an Independent Third Party
"Mongolia Minerals Law"	2006 Minerals Law of Mongolia
"Moveday"	Moveday Enterprises Ltd, a company established under the laws of BVI and an Independent Third Party

"Mr. Wang" or "Founder"	王興春先生 (Mr. Wang Xingchun), our chairman, Chief Executive Officer and the ultimate Controlling Shareholder of our Company
"Mr. Zhu"	朱慶讓先生 (Mr. Zhu Qingrang), a PRC citizen and a member of the senior management of our Company, as well as a director, a legal representative and/or member of the senior management of certain of our subsidiaries
"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
"Non-competition Deed"	a non-competition deed entered into between the Controlling Shareholders and the Company dated 22 September 2010 in respect of certain non-competition undertakings given by the Controlling Shareholders in favor of the Group
"PBOC"	中國人民銀行 (the People's Bank of China), the central bank of the PRC
"Peabody Energy"	Peabody Energy Corporation (NYSE: BTU), a leading listed international coal company and one of our suppliers of seaborne coal
"Peabody Energy Consideration Shares"	the 20,988,378 Shares issued to Peabody Energy as settlement of a facilitation fee payable to Peabody Energy in connection with the cooperation and facilitation fee agreement dated 29 June 2010 between our Company, Lucky Color, Peabody Holland and Peabody Energy
"Peabody Holland"	Peabody Holland B.V., a private company with limited liability incorporated under the laws of Netherlands and a subsidiary of Peabody Energy
"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 which is owned as to 50% by Lucky Colour and 50% by Peabody Holland
"Peabody-Winsway Mongolia"	Peabody-Winsway Resources, LLC (formerly known as Peabody-Polo Resources, LLC), a private company incorporated under the laws of Mongolia
"Polo Resources"	Polo Resources Limited (AIM: POL and TSX: POL), a listed mining and exploration group focused on investing in or acquiring and developing advanced stage coal and uranium projects
"Polo Resources Coóperatief"	Polo Resources Coóperatief U.A., a co-operative incorporated under the laws of Netherlands and a subsidiary of Polo Resources
"PRC EIT Law"	中華人民共和國企業所得稅法 (PRC Enterprise Income Tax Law)
"PRC Government" or "State"	the government of the PRC, including all governmental subdivisions (including central, provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them

"Preference Shares"	the 363,636,364 redeemable convertible preference shares in the amount of US$60,000,000 issued by our Company to Winstar on 18 April 2010
"Pre-IPO Investors"	HOPU, China Minmetals Corporation, Silver Grant, ITOCHU and any one of them, a Pre-IPO Investor
"Pre-IPO Individual Investors"	Sparkle Land, Top Dream, Gold Shine, Unique Grace, Samtop, Champaign and any one of them, a Pre-IPO Individual Investor
"Pre-IPO Option Scheme"	the pre-IPO option scheme conditionally adopted by us on 30 June 2010
"Purchase Agreements"	the purchase agreement relating to the Offering to be entered into by our Company and the initial purchasers on 1 April 2011, as further described in the section headed "Plan of Distribution" in this Offering Memorandum
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Royce Petrochemicals"	Royce Petrochemicals Limited, a company incorporated under the laws of the BVI with limited liability on 28 October 2005 and our indirectly wholly-owned subsidiary
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE"	中國國家外匯管理局 (the State Administration of Foreign Exchange of the PRC)
"Samtop"	Samtop Development Limited, a company incorporated under the laws of the BVI on 6 April 2010 which is owned as to 60% by Wu Hongmei (吳紅梅) and 40% as to Fu Rong (付榮), each of whom being an Independent Third Party
"Share(s)"	ordinary share(s) with no par value of our Company
"Shareholders"	holders of our Shares
"Shenhua Ganquan"	神華甘泉鐵路有限責任公司 (Shenhua Ganquan Railway Co., Ltd.), a limited liability company incorporated under the laws of the PRC on 8 September 2010 in which we hold a 5% equity interest which will be increased to 9.5% pursuant to the strategic cooperation agreement between Shenhua Ganquan and us
"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 (HKSE Stock Code: 171)
"Sincere Hill"	Sincere Hill Management Limited, a company established under the laws of the BVI with limited liability on 25 October 2009 and indirectly wholly-owned by Mr. Wang

"South Gobi"	South Gobi Sands LLC, a major coal producer in Mongolia and one of our key coal suppliers in Mongolia
"Sparkle Land"	Sparkle Land Limited, a company incorporated under the laws of the BVI with limited liability on 29 December 2009 and wholly-owned by Wu Sek Un, an Independent Third Party
"Stabilizing Manager"	Deutsche Bank AG, Singapore Branch
"State Administration of Taxation"	中國國家稅務總局 (the State Administration of Taxation of the PRC)
"State Council"	中華人民共和國國務院 (the State Council of the PRC)
"SUEK AG"	SUEK AG, the exclusive exporting company of Open Joint Stock Company "Siberian Coal Energy Company" (OJSC "SUEK"), the Russian largest coal producer, and also one of our suppliers of seaborne coal
"Suifenhe Winsway"	綏芬河永暉能源有限公司 (Suifenhe Winsway Resources Co., Ltd.*) a company established under the law of the PRC on 24 December 2009 and our indirectly wholly-owned subsidiary
"Tangshan Jiahua"	唐山佳華煤化工有限公司 (Bcdw (Tangshan) Jiahua Coking & Chemical Co., Ltd.*) a company principally engaged in petroleum and coal products manufacturing and one of our key customers
"Tangshanwan Coking Coal"	唐山灣煉焦煤儲配有限公司 (Tangshanwan Coking Coal Storage Co., Ltd.*), a company established under the laws of the PRC with limited liability on 8 October 2010 in which Inner Mongolia Haotong owns a 3% equity interest
"Top Dream"	Top Dream Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 30 October 2009 and wholly-owned by Guo Qi, an Independent Third Party
"Ulanqab Haotong"	烏蘭察布市浩通能源有限公司 (Ulanqab Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 2 March 2010 and our indirectly wholly-owned subsidiary
"Ulanqab Huatong Logistics"	烏蘭察布華通物流有限責任公司 (Ulanqab Huatong Logistics Co., Ltd.*), a company established under the laws of the PRC with limited liability on 12 October 1989 and an Independent Third Party
"Unique Grace"	Unique Grace Management Limited, a company incorporated under the laws of the BVI with limited liability on 12 January 2010 and wholly-owned by Chen Shuaiyun
"United States", "US" or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Urad Zhongqi Haotong"	烏拉特中旗如意浩通能源有限公司 (Urad Zhongqi Ruyi Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with

	limited liability on 14 July 2010 which is owned as to 51% by Inner Mongolia Haotong and 49% by Mongolia Hutie
"US$", "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"US Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"Wuhan Iron"	武漢鋼鐵(集團)公司 (Wuhan Iron and Steel (Group) Corporation*), a leading iron and steel manufacturer in Hubei Province and one of our key customers
"Winstar"	Winstar Capital Group Limited, a company incorporated under the laws of the BVI on 18 August 2009 with its registered office at Horizon Chambers, P.O. Box 4622, Road Town, Tortola, BVI
"Winsway Australia"	Winsway Australia Pty. Ltd., a company incorporated under the laws of Australia with limited liability on 9 November 2009 and our wholly-owned subsidiary
"Winsway Coking Coal Macao"	Winsway Coking Coal (Macao Commercial Offshore) Limited (永暉焦煤(澳門離岸商業服務)有限公司), a company incorporated under the laws of Macau with limited liability on 2 August 2010 and our 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 Logistics"	Winsway Coking Coal Logistics Co., Limited, a company incorporated under the laws of Hong Kong with limited liability on 22 December 2009 and our wholly-owned subsidiary
"Winsway Macao"	Winsway (Group) Enterprises Limited (永暉集團有限公司), a company incorporated under the laws of Macao with limited liability on 12 June 1995 and wholly-owned by Mr. Wang
"Winsway Petroleum Holdings"	Winsway Petroleum Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 9 September 2009 and indirectly wholly-owned by Mr. Wang
"Winsway Resources Holdings"	Winsway Resources Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 23 September 2008 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
"Xinjiang Winsway"	新疆永暉能源有限公司 (Xinjiang Winsway Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 9 August 2010 and our indirectly wholly-owned subsidiary
"Xixiaozhao Railway Co."	西甘鐵路有限公司 (Xixiaozhao Gants Mod Railway Co., Ltd.*), a company established under the laws of the PRC with limited liability on 7 December 2009 which is owned as to 5% by Inner Mongolia Haotong
"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
"Yiteng"	烏拉特中旗毅騰礦業有限責任公司 (Urad Zhongqi Yiteng Mining Co., Ltd.*), a company established under the laws of the PRC with limited liability on 7 September 2005 and our indirectly wholly-owned subsidiary
"Zhoushan Winsway"	舟山永暉能源有限公司 (Zhoushan Winsway Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 15 November 2010, which is owned as to 90% by Nantong Haotong and 10% by Yiteng
"%"	per cent

* The English names of the PRC entities or organizations or individuals mentioned in this Offering Memorandum marked "*" are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.

GLOSSARY

This glossary contains definitions of certain technical terms used in this Offering Memorandum. Some of these definitions may not correspond to standard industry definitions.

"1/3 Coking Coal"	a coal that is softer and weaker than Primary Coking Coal. Similar to semi-hard coking coals, it displays relatively high caking properties and medium levels of Volatile Matter
"1/2 Middle Sticky Coal"	a coal that displays properties similar to PCI coals, having relatively low levels of Volatile Matter and low to medium caking ability
"anthracite"	is the highest rank coal. It is the hardest coal type and is characterized by low volatile matter and high carbon content. It has a semi-metallic lustre and is smokeless when burnt. It has a high fuel efficiency, and its fuel ratio is between 10 and 60
"Ash"	the ash content in coal that represents the non-combustible inorganic residue remaining after the coal is burned. Ash is a non-combustible material which lowers the heating value and leads to problems of disposal (after burning). It can also cause corrosion and abrasion of boilers and clinkering or slagging of furnaces
"bt"	billion tonnes
"Bituminous Coal"	a coal group that contains many coal types which are all only slightly affected by weathering unless left exposed for an extended period of time, in which case they break into fine prismatic pieces, not like the platy pieces of lignite. The group has a fuel ratio of about three. Most internationally traded coal and all coking coal is bituminous rank
"CFR"	cost and freight, a term of sale requiring the seller to arrange for the carriage of goods by sea to a port of destination, and provide the buyer with the documents necessary to obtain the goods from the carrier. Under such arrangement, the seller does not have to procure marine insurance against the risk of loss or damage to the goods during transit
"Chinese Caking Index (G)"	is determined through a laboratory test measuring the caking capacity of a sample of coal to ascertain how well the coal binds or fuses together. Higher G index indicates greater caking capacity
"Chinese Plasticity Index (Y)"	is a measure of the maximum thickness of the plastic mass when the coal is heated to the peak temperature and before it resolidifies. This measure is similar to the Crucible Swelling Number and the level of Gieseler Maximum Fluidity
"CIF"	cost, insurance, freight, a term of sale signifying that the price invoiced or quoted by a seller includes insurance and all other charges up to the named port of destination
"coke"	used as a reductant in the manufacturing of iron and steel. To a lesser extent, coke is also used in the casting and smelting of base metals

"Coke blend"	combination of various types of coking coal with different physical properties into a final "blend" by coke producer in order to maximize certain technical parameters of the coke which ultimately improves pig iron quality, and at the same time minimizes cost
"Coke Strength after Reaction"	a measure of the relative coke strength of coke located in the mid-region of a blast furnace. For a high quality hard coking coal the Coke Strength after Reaction (CSR) should be at least 55% of that before the reaction occurred
"coking coal"	also commonly referred to as metallurgical coal, is used to produce coke. Market participants typically refer to six types of coking coals based on specific characteristics of the coal including the ash content, volatile materials, coke strength and fluidity
"cost curve"	a graphic representation in which the production volume of a given commodity across the relevant industry is arranged on the basis of average unit costs of production from lowest to highest to permit comparisons of the relative cost positions of particular production sites, individual producers or groups of producers within a given country or region
"Crucible Swelling Number (also known as Free Swelling Index)"	the degree of free swelling of a one gram sample of crushed coal heated under elevated conditions (>800°C) in a specialized silica crucible. Higher index values (ranging from 1-9) equate to superior caking and/or swelling properties of the coal which are required for coke making
"Double-track railway"	railway involving running one track in each direction, compared to a single track railway where trains in both directions share the same track
"Electrified railway"	a railway electrification system supplies electrical energy to railway locomotives and multiple units so that they can operate without having an on-board prime mover
"EU-15"	15 specified member countries of the European Union
"EU-27"	27 specified member countries of the European Union
"Fat Coal"	a coal that is similar to Primary Coking Coal. However it shows greater levels of volatile matter. It generally also has a higher caking index
"fluidity"	fluidity refers to coal's plasticity during carbonization, where coal changes from a solid material to a fluid (plastic) state, and then to a fused porous solid (coke) during cooling. High fluidity is beneficial in the cokemaking process. Typical measure of fluidity is the Gieseler Maximum Fluidity reading
"FOB"	free on board, where the seller is required to clear the goods for export and buyer is responsible for all the costs incurred after the cargo has been loaded on board
"FOR"	free on rail

"Gas Coal"	a coal with high levels of Volatile Matter but displaying a low to medium caking index
"Gas Fat Coal"	a coal with high levels of Volatile Matter but displaying high caking properties
"hard coking coal (HCC)"	a higher-ranked coking coal with strong caking properties. Hard coking coals generally have Crucible Swelling Number greater than six
"HSR"	high-speed rail
"km"	kilometres
"Lean Coal"	a relatively low volatile coal with average caking abilities. This coal typically has properties similar to semi-soft coking coals
"lignite"	is a low rank of coal containing high moisture. Lignite is distinctly brown and is either markedly woody or clay-like in appearance. As it comes from the mine, lignite generally carries 30–40% water and its net calorific (energy potential) value is low. When exposed to the weather, lignite readily loses its water content and is capable of spontaneous ignition. When crushed, lignite produces a brown powder, whereas coal sensu stricto (except for cannel coals) produces a black powder
"Meagre Coal"	a coal that is considered to have one of the highest degrees of coalification of a bituminous coal. It has relatively low caking properties, and when burnt it has short flame combustion and is relatively fire resistant
"Meagre Lean Coal"	a coal that has relatively weak caking properties but with low levels of Volatile Matter. This coal is similar to typically low-volatile PCI coals
"metallurgical coal"	see coking coal
"mt"	million tonnes
"mtpa"	million tonnes per annum
"Offtake agreement"	an agreement between a producer of a resource and a buyer of a resource to purchase or sell the producer's future output
"Offtaker"	the buyer of an offtake agreement to purchase a specified amount of the producer's future production
"Pacific"	the largest of the Earth's oceanic divisions. It extends from the Arctic in the north to the Southern Ocean in the south, bounded by Asia and Australia in the west, and the Americas in the east
"Primary Coking Coal"	a high quality hard coking coal with low to medium levels of Volatile Matter and relatively high bonding properties
"proven reserves" or "proved reserves"	considered to be highly confident of being recoverable (economically)

"Pulverized Coal Injection (PCI)"	the process whereby coals are injected into a blast furnace to provide the required carbon in the iron-making process. PCI coals are typically divided into low-volatile and high volatile PCI
"reserve base"	demonstrated, in place (measured plus indicated) resources from which reserves are estimated. The reserve base of an identified resource generally must meet specified minimum physical and chemical criteria related to current mining and production practices, including those for grade, quality, thickness, and depth
"Semi-hard Coking Coal"	lower in rank to hard coking coals. Semi-hard coking coals typically have Crucible Swelling Numbers between 4 and 6
"Semi-soft Coking Coal"	lower ranked coking coals used as either a coking blend component or as Pulverised Coal Injection (PCI) coal
"Sub-bituminous Coal"	a coal that can be distinguished from lignite by its black color and its lack of a distinctly woody structure and texture, and from Bituminous Coal from its slacking in the weather (formation of cracks in and pervasive dehydration of those portions exposed to weathering)
"thermal coal"	also referred to as steaming coal, is primarily used as an energy source in the generation of electricity. Other applications include direct heating, space and water heating, process heating and cement manufacturing. Thermal coal covers all black coals other than those which are specifically designated as coking coal
"Volatile Matter"	the percentage of components in the coal primarily representing organic compounds and mineral impurities, excluding inherent (dry) moisture
"Weak-Sticky Coal"	a coal typically used as thermal coal for gasification and power-generation. However with additional treatment it can be used as low-grade coking coal

SUMMARY

This summary aims to give you an overview of the information contained in this Offering Memorandum. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Notes. There are risks associated with any investment. Some of the particular risks in investing in the Notes are set out in the section headed "Risk Factors" in this Offering Memorandum. You should read that section carefully before you decide to invest in the Notes.

Overview

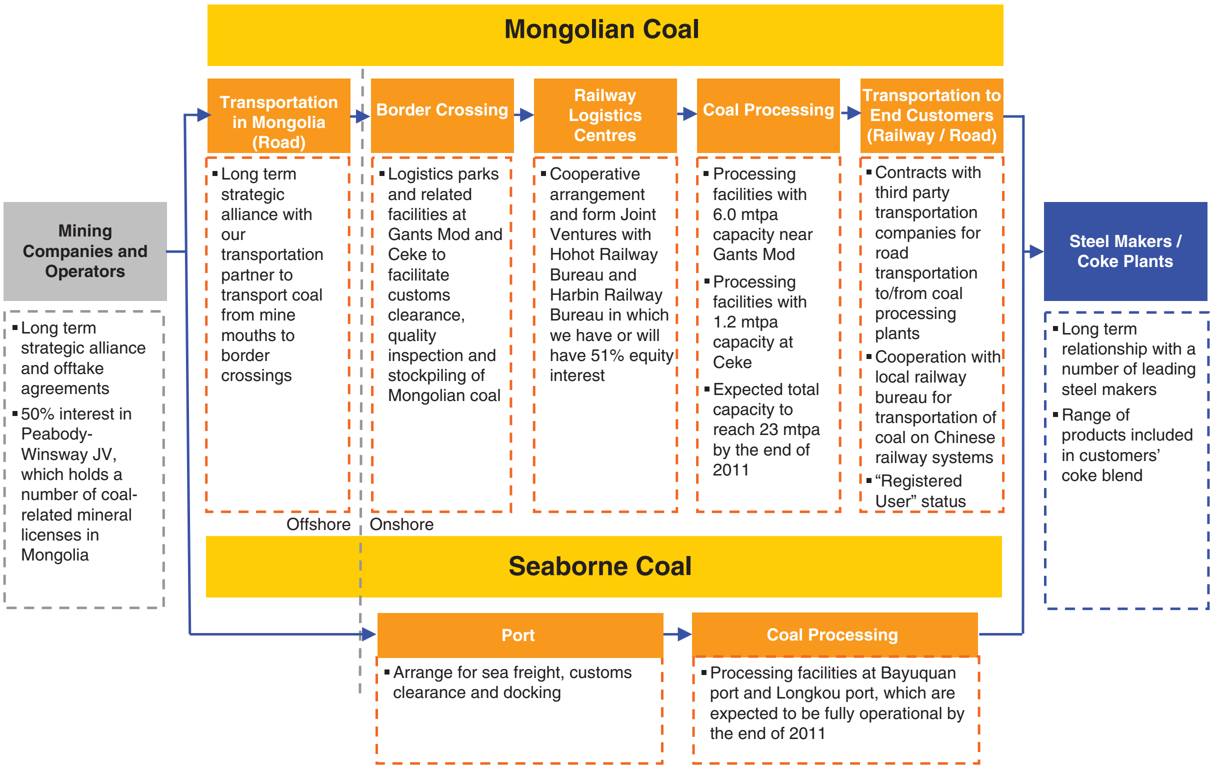
We are an integrated supplier of imported coking coal to China and provide services to our suppliers and customers through our integrated platform, comprising logistics parks, coal processing plants, and road and railway transportation capacities. In 2010, we procured approximately 9.6 mt of coal produced outside China and we believe we have established ourselves as one of the leading suppliers in China of imported coking coal.

We procured approximately 1.3 mt, 3.8 mt and 6.5 mt of Mongolian coal in 2008, 2009 and 2010, respectively. We believe our procurement represented a significant portion of Mongolian coal exported to China during such period, and we are a leading offtaker of Mongolian coal. We believe we are one of the pioneers in the large-scale transportation of Mongolian coking coal into China, and also one of the few companies which have made substantial investments in logistics and transportation infrastructure at several key Sino-Mongolian border crossings and have access to a transportation network through arrangements with third parties on both sides of the border. We also believe we are one of the few companies which have built an integrated coking coal supply business model to supply Mongolian coking coal into China, which is distinguishable through the considerable scale and profitability we have achieved.

We commenced our procurement of seaborne coal in 2009 and the amount of seaborne coal we procured amounted to approximately 3.4 mt and 3.1 mt in 2009 and 2010, respectively.

For the three years ended 31 December 2008, 2009 and 2010, we sold approximately 1.0 mt, 2.1 mt and 4.7 mt of Mongolian coal, respectively, and our total turnover from the sale of Mongolian coal was HKD1,102.0 million, HKD1,994.8 million and HKD5,073.4 million, respectively. For the two years ended 31 December 2009 and 2010, we sold approximately 2.9 mt and 3.1 mt of seaborne coal, respectively, and our turnover from the sale of seaborne coal was HKD3,215.9 million and HKD4,155.7 million, respectively.

Set forth below is the coking coal supply value chain which we participate in:



We plan to further strengthen our market position in the coking coal supply chain by adopting the following strategies. In respect of our supply, we plan to further develop the relationships and secure long-term supply agreements with our suppliers, selectively acquire upstream resources and develop coal tenements in Mongolia together with the Peabody-Winsway JV, and explore upstream joint venture and acquisition opportunities in other regions. In respect of our logistics infrastructure, we plan to expand our existing operations at Ceke and Gants Mod logistics parks and replicate our proven operational model to the Erlianhaote border crossing, which has been constructed and is in a start-up stage, as well as the Manzhouli, Suifenhe and Hunchun border crossings. We also plan to cooperate with Hohhot Railway Bureau and Harbin Railway Bureau to construct railway logistics centres and railway-related infrastructure at border crossings and along major coal transportation railways and to enter into joint ventures with railway bureaus to invest in rail cars, other transportation-related vehicles and railway-related infrastructure to increase our transportation capacity. We plan to increase our coal processing capacity by expanding the existing plant at Urad Zhongqi and constructing processing plants at Bayuquan and Longkou ports, Jining, and the Manzhouli and Suifenhe border crossings. We also plan to invest in docking facilities in Longkou port. In respect of our sales, we plan to develop new clients and increase the penetration level of our products with existing customers by leveraging our strong position in supplying imported coking coal to China's steel producing eastern coastal provinces.

The map below shows the approximate locations of certain identified coal deposits in Mongolia and Russia, certain existing and planned railways, and our current and planned logistics parks and coal processing plants.

We have established strong relationships with a number of Mongolia-based and other coal mining companies and operators globally. We started our cooperation with our Mongolia-based suppliers in 2006, being one of the first to do so on a large scale. We source coal from four leading Mongolia-based suppliers and have entered into strategic alliance agreements with three of these suppliers. Please refer to the section headed "Business—Procurement and Suppliers—Suppliers in Mongolia" in this Offering Memorandum for more details.

Depending on the suppliers, at the end of each year or quarter, we discuss with our suppliers their production and development plans for the following year or quarter. After taking into consideration the production plans and requirements of our customers, the expected transportation availability and our coal processing capacity, we reach an understanding with our suppliers on the volume and specifications of the coking coal to be supplied for the following year or quarter with the price to be agreed generally on a quarterly basis, which we believe helps to reduce our exposure to price fluctuations in the coal market. In the three years ended 31 December 2008, 2009 and 2010, we procured approximately 1.3 mt, 3.8 mt and 6.5 mt of Mongolian coal, respectively. All Mongolian coal we procured was raw coal and a majority of it was processed and sold as cleaned coking coal.

We have also procured seaborne coal from countries such as Australia, the US, Canada and Russia since 2009. Our overseas coal procurement department sources coal primarily through direct contact with coal mining companies and operators and formulates our procurement policy for seaborne coal based on orders and requests from customers and on the price of coal in the international markets. In doing so, we take into consideration various factors including the current market demand and supply and the anticipated trends in the Chinese market, and the characteristics and specifications of the coal to be supplied. Depending on our negotiations with our suppliers, prices are usually agreed on a quarterly basis, but may be fixed for a specified number of shipments or for the entire tonnage agreed to be supplied. In the years ended 31 December 2009 and 2010, we procured approximately 3.4 mt and 3.1 mt of seaborne coal, respectively.

We have built a stable and growing customer base including many significant steel makers and coke plants in China. Our customers include Baosteel in Shanghai, Wuhan Iron and Steel, Baotou Steel, Hebei Steel and Jiujiang Qian'an Coke. We usually enter into discussions with our customers prior to the end of each year to ascertain their production needs for the following year, and will make allocations of our products accordingly after taking into consideration the expected production capacity of our suppliers and our expected processing capacity. Consistent with Chinese coal market practices, we periodically enter into formal sales contracts with our customers specifying quantities and timing of delivery over a term varying from a few months to one year. Selling prices are set out in the sales contracts, and may be adjusted with reference to contracted coking coal prices between major coking coal producers in Shanxi Province and large steel makers in China. Our selling prices are usually agreed and adjusted on a quarterly basis, which we believe helps to reduce the exposure to price fluctuations in the market.

For the three years ended 31 December 2008, 2009 and 2010, our total turnover was HKD1,113.9 million, HKD5,283.2 million and HKD9,271.7 million, respectively, and our profit attributable to equity shareholders of our Company was HKD274.2 million, HKD515.3 million and HKD928.8 million, respectively.

Border crossings

The map below shows the approximate locations of our current and planned logistics parks at border crossings.

Recognizing the strategic importance of border crossings for the supply of coking coal into China, the development and expansion of our infrastructure and capacity at border crossings has been one of our core focuses. In 2007 and 2008, we started building strategic infrastructure at two major Sino-Mongolian border crossings, Gants Mod (甘其毛都) and Ceke (策克), respectively, which are close to our Mongolia-based suppliers' resources, including Tavan Tolgoi, one of the world's largest coking coal deposits. Our infrastructure on the China side of the Gants Mod and Ceke border crossings currently includes logistics parks with border-crossing facilities, stockpile areas, and additionally at Ceke, a coal processing plant. We have also constructed a logistics park with border-crossing facilities and a stockpile area in Erlianhaote, which is currently in the start-up stage and which we expect to be fully operational by the end of the first half of 2011. In addition, we are constructing a logistics park at the Manzhouli Sino-Russian border crossing, are in the process of planning the construction of logistics parks at the Suifenhe and Hunchun Sino-Russian border crossings and are exploring the development of additional logistics parks at Sino-Mongolian border crossings in western China.

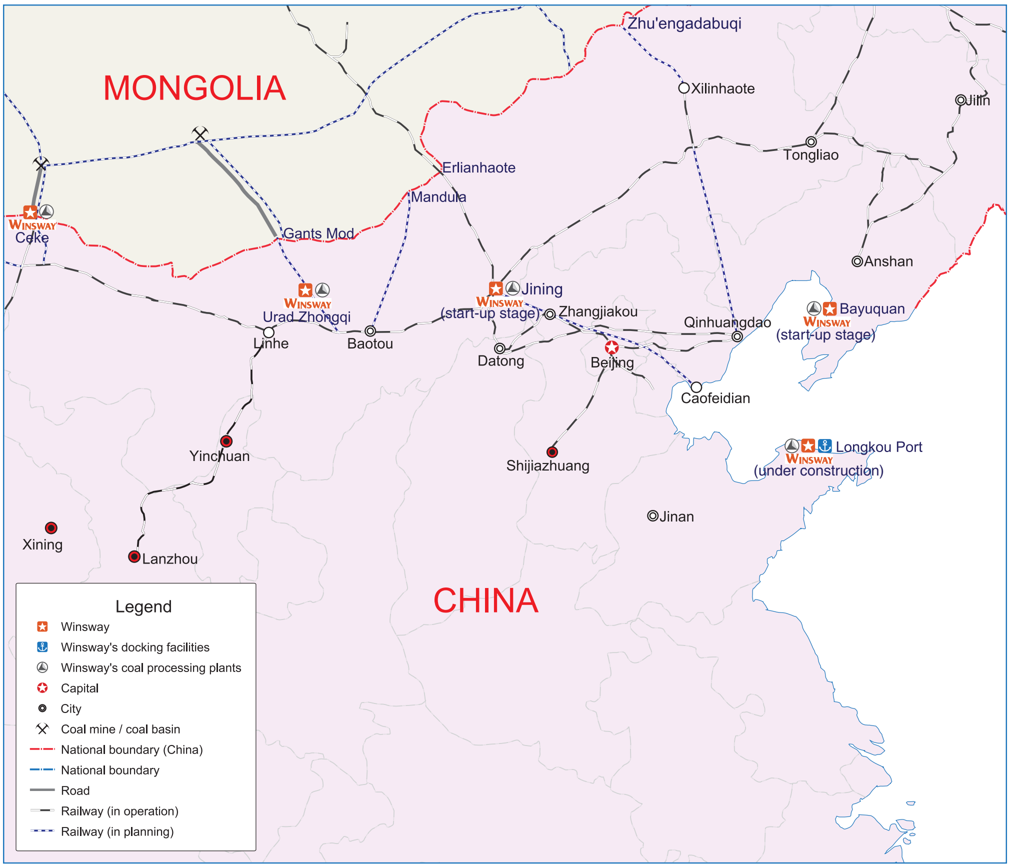
Railway logistics and transportation

The map below shows the approximate locations of existing and planned railways relevant to our infrastructure.

We believe railways are and will remain an integral part of the logistical solution for coal transportation. As part of our development strategy, we have invested and plan to invest in infrastructure to facilitate coal transportation to the eastern coastal area and other major coal-consuming regions in China, including railway, rail cars, railway logistics centres and other railway-related infrastructure. We have built or are building railway logistics centres in Jining and at the Ceke and Erlianhaote Sino-Mongolian border crossings. These newly built railway logistics centres are in the start-up stage and we expect them to be fully operational by the end of the first half of 2011. In addition, we are at the planning stage of other various railway logistics centres and related infrastructure, including the railway logistics centres at Gants Mod and Urad Zhongqi, which will be located along Xixiaozhao—Gants Mod railway line in which we own a 5% equity interest. We also hold a 5% equity interest in Shenhua Ganquan Railway Co., Limited ("Shenhua Ganquan"), which is the owner and operator of Ganquan Railway connecting Baotou and Gants Mod. Furthermore, in June 2010, we were granted "registered user" status by the Hohhot Railway Bureau (呼和浩特鐵路局) for carriage of coal by rail, which allows us to submit our transportation requirements and plans to Hohhot Railway Bureau for its consideration, and if accepted, for inclusion in its railway transportation capacity allocation plan. We also plan to invest in rail cars, other transportation-related vehicles and railway-related infrastructure, which we believe will increase our transportation capacity and the volume of coking coal supplied to our customers.

Coal processing

The map below shows the approximate locations of our current and planned coal processing plants.



To enable us to provide a broad range of coking coal and more value-added services to our customers, we have built or are building coal processing plants located at Urad Zhongqi, Ceke, Jining, Bayuquan port and Longkou port, and are also exploring the possibility of constructing a coal processing plant at Yangkou port. The processing plants at Urad Zhongqi and Ceke commenced operation in 2008 and 2009, respectively, and we are currently constructing a new processing line in the plant at Urad Zhongqi. The processing plants at Jining and Bayuquan port are in the start-up stage, while the plant at Longkou port is under construction. As of 31 December 2010, our coal processing plants in Urad Zhongqi and Ceke had an aggregate processing capacity of 7.2 mtpa. We expect our newly constructed coal processing plants to become fully operational by the end of 2011, at which point we expect to have an aggregate capacity of 23 mtpa.

Our integrated end-to-end service platform, comprising logistics parks, coal processing plants and road and railway transportation capabilities through our arrangements with third-party transportation companies, enables us to secure stable and cost-effective supplies and maintain our position as a long-term supplier to steel makers and coke plants in various parts of China, with particular strength in eastern coastal provinces where a majority of China's steel production occurs. Our logistical expertise also enables us to extend our reach from Inner Mongolia to the eastern coastal provinces where demand and the average selling price for coking coal is generally higher, and through our coal processing services, we are able to enhance our profitability. Given our first-mover advantage in establishing a land-borne coking coal route to China in the scale we have achieved thus far, we believe our business model is difficult to replicate and creates a high entry barrier for potential competitors.

Our competitive strengths

We believe the following competitive strengths contribute to our success in the China coking coal industry and distinguish us from our competitors:

We are a major gateway for global coking coal into China and we believe we are one of the few companies which have built an integrated coking coal supply business model to supply Mongolian coking coal into China, with considerable scale and profitability

We believe we have established ourselves as one of the leading suppliers in China of imported coking coal in terms of the amount of coal we procured from suppliers outside China for importation into China. We also believe that we are a leading offtaker of Mongolian coal and our procurement represented a significant portion of Mongolian coal exported.

Offtaking Mongolian coal on a large scale requires significant infrastructure and logistical capability, which creates barriers to entry. We believe that our capability to secure coal supplies combined with our integrated end-to-end service platform will further enhance our position as a major gateway for global coking coal entering China.

Our integrated service platform provides us with a competitive advantage in providing a stable supply of high-quality coking coal to end customers in China

Our infrastructure investment at border crossings, our significant coal processing capacity and our investment in railway related infrastructure and transportation capacity are the three cornerstones of our integrated service platform.

Our strategic infrastructure investment at border crossings

Our main Mongolia-based suppliers are operating at Tavan Tolgoi and Nariin Sukhait deposits, all located in the southern regions of Mongolia. The Sino-Mongolian border crossing closest to the Tavan Tolgoi deposit is the Gants Mod border crossing, which is approximately 270 km away and the Sino-Mongolian crossing closest to the Nariin Sukhait deposit is the Ceke border crossing, which is approximately 40 km away.

Our strength lies in the strategic location of our logistics parks at the Gants Mod and Ceke border crossings. As the respective mines of our main suppliers in Mongolia are only connected to these border crossings by road, transportation of coal on a large scale can only be carried out by trucks. However, trucks from Mongolia and China cannot operate in each other's territory beyond the immediate border crossing areas. Therefore, an efficient logistics hub at the relevant Sino-Mongolian border crossing becomes critical in transporting Mongolian coking coal into China. As a result of the location of our logistics parks at the border crossings, Mongolian trucks carrying coal can travel directly from the loading points in Mongolia and unload the same at our logistics parks. This allows us to arrange for onward transportation of coal in China to our coal processing plants or to our customers expediently.

In addition, as Erlianhaote is the only Sino-Mongolian border crossing serviced by railway and as China and Mongolia use different railway gauges, it is currently not possible to have through rail travel at Sino-

Mongolian border crossings. We expect this to continue for the foreseeable future and believe that having strategically placed logistics infrastructure at border crossings will be a significant competitive strength for us. Accordingly, we have built a logistics park with border-crossing facilities at the China side of the Erlianhaote crossing. The logistics park at Erlianhaote is currently in the start-up stage and we expect that, upon it becoming fully operational, it will enhance our transportation network along the Sino-Mongolian border and grant us more access to the Mongolian coal and other natural resources.

We believe our logistics parks, which were among the first ones developed in the area and at a relatively low land cost, have the potential to further expand and continue to be a critical part of the infrastructure in facilitating large-scale transportation at the Gants Mod, Ceke and Erlianhaote border crossings.

Our strategically located significant coal processing capacity

We believe the strategic location of our coal processing plants and our large-scale coal processing capacity are among our critical strengths. We have two coal processing plants, one in Urad Zhongqi along the transportation route connecting the Gants Mod border crossing and Baotou, and another one in Ceke, which commenced operation in 2008 and 2009, respectively, and as of 31 December 2010 had an aggregate coal processing capacity of 7.2 mt. In addition, we are currently constructing a new processing line to expand our capacity in the coal processing plant at Urad Zhongqi and developing coal processing facilities at Jining, Bayuquan port and Longkou port, and expect that after our newly constructed coal processing plants become fully operational, which is expected to be by the end of 2011, we will have an aggregate capacity of 23 mtpa.

We believe our ability to process raw coking coal sourced from various mines and offer our customers a variety of coking coal products to suit their distinctive needs differentiate us from other coal suppliers in China. Through expansion of our coal processing capacity at strategic locations across China, we believe we are able to provide value-added services to our customers located in a broad geographic area and capitalize on the attractive growth opportunities in China's coking coal market.

Our investment in railway-related infrastructure and transportation capacity

We believe that our joint venture relationships with railway bureaus in the PRC and our investment in the railway-related infrastructure as well as our registered user status strengthen our capability to provide railway logistical services and enhance our transportation capacity. This transportation capacity enables us to stand out from our competitors as being one of a few suppliers with an ability to transport Mongolian coking coal on a large scale and in a cost-effective manner to major steel makers and coke plants as far as 2,000 km away from the border crossings, in particular steel makers and coke plants in China's eastern coastal provinces.

As at 31 December 2010, Hohhot Railway Bureau and we had jointly invested in five joint venture companies (in each of which we have a 51% stake) for the purpose of developing and operating railway logistics centres at Gants Mod, Ceke, Erlianhaote, Urad Zhongqi and Jining, respectively and accordingly jointly developed three railway logistics centres at Jining and the Ceke and Erlianhaote Sino-Mongolian border crossings. We have also subscribed for a 5% equity interest in Xixiaozhao Railway Co., a joint venture company with Hohhot Railway Bureau and other third parties which is constructing a railway connecting Xixiaozhao to Gants Mod, expected to be completed in 2011. In addition, we own a 5% equity interest in Shenhua Ganquan, which is the owner and operator of Ganquan Railway connecting Baotou and Gants Mod. In October 2010, we also entered into a cooperation agreement with Harbin Railway Bureau to form a joint venture company in Manzhouli to provide logistics services, including loading, storage and transportation, in the new international freight terminal area of Manzhouli.

In January 2011, as part of our strategy of investing in rolling stock business, we jointly established Huayuan Logistics through our subsidiary Inner Mongolia Haotong with Mongolia Hutie Investment, a subsidiary of Hohhot Railway Bureau, and other parties to engage in the business of coal and mineral products transportation logistics. We hold a 9% equity interest in Huayuan Logistics and are the second largest shareholder after Mongolia Hutie Investment, which holds a 20% equity interest. Furthermore, in June 2010, we were granted "registered user" (鐵路立戶) status by the Hohhot Railway Bureau (呼和浩特鐵路局) for carriage of coal by rail, which allows us to submit our transportation requirements and plans to Hohhot Railway Bureau for its consideration, and if accepted, for inclusion in its railway transportation capacity allocation plan.

We have established long-term and strategic relationships with a number of mining companies globally

We have four Mongolia-based suppliers who we believe are among the leading coal mining companies in Mongolia. The volume of coal produced by these four suppliers amounts to a substantial share of the total output of Mongolian coal and we have in place long-term strategic alliance agreements with three of these suppliers for offtaking agreed amounts of coal produced by them. Pursuant to these agreements, we periodically enter into coal supply agreements to quantify the amount of coal to be supplied for specific periods. We believe that we are one of the major customers of each of our four Mongolia-based suppliers taking into account our market position in terms of Mongolian coal imported into China. We are also seeking other potential coking coal suppliers in Mongolia to provide us with the potential to further expand our business. Please refer to the section headed "Business—Procurement and Suppliers—Suppliers in Mongolia" in this Offering Memorandum for more details.

In terms of seaborne coal, we primarily sourced from countries such as Australia, the US, Canada and Russia. We secured our seaborne coal supply from a number of international coal mining and trading companies and operators, such as Peabody Energy, Anglo Coal, SUEK AG, Marubeni Corporation, ITOCHU and Macarthur Coal.

Our established relationships and our market position contribute to our ability to secure a stable supply of high-quality coking coal from around the world, particularly with respect to Mongolian coking coal.

We have established strong relationships with some of the leading steel makers and coke producers in China

We are able to source a range of Mongolian coking coal, most of which can be used as a substitute for domestically produced high-quality coking coal, in the quantity and of the quality required by our customers. We also have the logistics infrastructure to transport coal over long distances and the coal processing capability to meet the needs of our customers. In addition, our financial strength and strong credit lines also allow us to secure funding and at reasonable cost, which in turn enables us to procure coking coal on a large scale. As a result, together with a steady supply of seaborne coal, we are able to supply our customers with a variety of coking coal products with reliable quality at competitive prices. In addition, we have a strong sales team which is dedicated to customer services and committed to fulfilling the needs of our customers.

We believe the above abilities give us an advantage compared to other coal suppliers in China and other parts of the world. Through this "one-stop shop" solution and our value-added coal processing services, we have been able to build a stable and growing customer base. Our customers include some of the largest steel makers and coke producers in China.

We have entered into long-term strategic alliance agreements and memoranda with a number of our customers, including Baosteel in Shanghai, Wuhan Iron and Steel, Jiujiang Qian'an Coke and Tangshan Jiahua, where we have agreed to supply these customers with different types of coal possessing specific characteristics required by such customers in the future. We believe that the strategic alliance agreements and memoranda entered between us and our customers as well as the recurrent business we have with our major customers since the establishment of our relationships with them, demonstrate our customers' confidence in us and our ability to provide a stable supply of coking coal products with consistent physical characteristics.

We have a strong management team and board of directors with a proven track record and outstanding execution capabilities

Our management team, which is built around our founder, Chairman and Chief Executive Officer, Mr. Wang, consists of seasoned managers with diverse skill sets, extensive international working experience and domestic know-how in natural resources and transportation industries. Our Board is comprised of directors with significant experience in the energy, steel and mining industries, as well as directors possessing strong financial backgrounds. Mr. Wang has over 20 years of international commodities business experience, including importing oil and petrochemical products from Russia and Mongolia into China. The core members of our management team, comprised of Mr. Wang, Ms. Zhu Hongchan, Mr. Yasuhisa Yamamoto, Mr. Apolonius Struijk and Mr. Cui Yong, have spent on average more than ten years with the Winsway Group.

Our management team and Board seek to emphasize best practices in our operations as well as corporate governance. We believe that we will be able to benefit from the industry and financial expertise our management team and Board provide to us.

Our business strategies

Our vision is to become the leading gateway to the coking coal market of China by providing global premium coking coal products and solutions to China's steel industry through our integrated end-to-end service platform. We plan to accomplish our goal through the following strategies:

Strengthening our leading position in supplying Mongolian coking coal through further infrastructure investments and replicating our successful model at other Sino-Mongolian border crossings

We intend to make further investments in key infrastructure to capitalize on expected increased imports of natural resources from Mongolia into China, including railway logistics centres at border crossings. For example, we have recently built a railway logistics park at the Erlianhaote Sino-Mongolian border crossing. We are also further exploring the possibility of future expansion of our operational model to border crossings at Mandula and Zhu'engadabuqi.

In addition, we also plan to explore constructing infrastructure at border crossings in western China, including the Xinjiang Autonomous Region, to expand our business in China's western regions.

Further securing Chinese domestic railway capacity by becoming a strategic partner with Chinese railway bureaus to invest in rail cars, railways and railway-related infrastructure

We believe the rapid increase in coal production in Inner Mongolia and Mongolia has exceeded or will soon exceed the available rail cars for transporting coal and the current capacity of major west-to-east coal transportation railways in the PRC. Please refer to the section headed "Industry—Chinese Railway System

Overview” in this Offering Memorandum for more information. We face intense competition, particularly from thermal coal, for both rail cars and railway capacity allocation. Therefore, we believe investing in rail cars, other transportation-related vehicles and railway-related infrastructure will increase our transportation capacity, and by utilizing such capacity, we can improve our volume of coking coal supplied to our customers and our financial performance.

By participating with railway bureaus in the acquisition of rail cars and the development of railways and other railway-related infrastructure, we seek to obtain a status with such railway bureaus, similar to the “registered user” status we obtained with the Hohhot Railway Bureau in 2010. The PRC’s railway bureaus usually prepare railway capacity allocation plans each year and certain parties with designated status are able to submit their transportation requirements and plans to the bureaus with the goal of including their requirements in the applicable railway capacity allocation plans. We believe, therefore, that such investments are of strategic importance for our growth and that such investments will better position us to obtain additional track capacity allocations within China’s national railway system.

Rolling stock and other transportation-related vehicles

The availability of sufficient numbers of rail cars could become a significant limitation on our ability to import significant additional amounts of coal and transport it from the border crossings or ports to processing facilities and our customers. To address this potential limitation, we plan to use certain of our existing railway joint ventures with the Hohhot Railway Bureau to work with the Hohhot Railway Bureau to purchase rail cars.

The rail cars will be purchased pursuant to contracts between such railway joint ventures and an affiliate of the Hohhot Railway Bureau and purchase agreements between such affiliate on behalf of the joint ventures and the suppliers of the rail cars. Before engaging in railway transportation business with self-owned rail cars, we must obtain a Railway Transportation with Self-Owned Rail Cars License (企業自備貨車過軌運輸許可證) from the Ministry of Railways of the PRC. Our railway joint ventures will seek to take delivery of the rail cars within one year after the license from the Ministry of Railways is obtained and the purchase agreements are completed. Please refer to the sections headed “Regulations—Transportation and logistics in the PRC—Transportation by self-owned rail cars” and “Our Business—Transportation—Investment in Rolling Stock and other transportation-related vehicles” in this Offering Memorandum for further information.

In addition, we are exploring investments, which may be minority investments, in joint ventures with other PRC railway bureaus or their subsidiaries and other strategic partners to acquire rail cars and other transportation-related vehicles. These joint ventures may also develop railway-related infrastructure and we believe our participation will result in both additional track capacity and rail cars and other vehicles available for the transportation of coking coal to our customers.

Railways and other railway-related infrastructure

To position ourselves to expand our railway track capacity allocation, we plan to further develop our cooperative relationships with railway authorities in China and explore the following:

- entering into joint ventures with PRC railway bureaus or their subsidiaries and other key stake holders to develop railways in key locations to relieve existing or anticipated track capacity constraints;
- developing and operating, jointly with Hohhot Railway Bureau and other railway authorities, railway logistics centres at three Sino-Mongolian border crossings, Gants Mod, Mandula and Zhu’engadabuqi, and an inland railway logistics centre at Urad Zhongqi in Inner Mongolia;

- developing, jointly with a railway bureau, logistics parks and railway logistics centres in the Chinese side of the Suifenhe Sino-Russian border crossing; and
- investing jointly with Hohhot Railway Bureau and other railway authorities in maintenance facilities.

We plan to use approximately 60% of the proceeds of the offering of the Notes to fund the purchase of rolling stock and other transportation-related vehicles and invest in railway-related infrastructure, which purchases and investments may be accomplished through one of our Restricted Subsidiaries or through joint ventures or other entities in which we have a minority interest.

Capitalizing on expected future flows of Russian land-borne coking coal into China by replicating our successful Mongolian business model at key Sino-Russian border crossings

To expand our Sino-Russian coking coal supply business, we plan to replicate our Sino-Mongolian model at Sino-Russian border crossings and facilitate the land-borne transportation of Russian coal to China. As part of this strategy, we are constructing a railway logistics park on the Chinese side of the key Sino-Russian border crossing at Manzhouli, and expect to complete phase one of the construction by the end of 2011. We expect the logistics park in Manzhouli will serve as our primary receiving point of Russian land-borne coal and believe that its establishment will further increase the trading volume of coking coal between Russia and China. In addition to Manzhouli, we also plan to build infrastructure at the Sino-Russian border crossings at Suifenhe and Hunchun.

Moreover, we also intend to further develop our relationship with Chinese railway authorities in order to facilitate transportation of Russian coal into China and, through our existing sales network in China, to promote Russian coking coal to Chinese steel makers and coke plants.

Further securing our coking coal supply

Long-term offtake contracts

We are in discussion with Mongolia-based coal producers to secure further long-term supply agreements to offtake additional coal in line with our business expansion and expected increase in their production volume. For example, as part of that strategy, in December 2010, we entered into a strategic alliance agreement with SouthGobi Sands LLC ("SouthGobi"), a major coal producer in Mongolia, pursuant to which and a related coal supply contract, SouthGobi has agreed to supply 3.2 mt of coking coal to us in 2011, which we believe represents a significant portion of its anticipated 2011 production. Please refer to the section headed "Business—Procurement and Suppliers—Suppliers in Mongolia" in this Offering Memorandum for more details.

We also aim to develop a Russian coal procurement business by replicating our Mongolian model. In order to complement our supply of Mongolian coking coal, we have established a presence in Singapore, Brisbane and Hong Kong to exploit seaborne market opportunities. We plan to establish a long-term supply relationship with our seaborne coal suppliers to offtake their coal products to secure our seaborne supplies.

Investments in upstream resources

In order to enhance our ability to obtain a steady supply of high-quality coking coal in the medium to long term, we plan to explore joint venture and acquisition opportunities in upstream resources to secure cost-effective and stable coking coal supply. In addition to our acquisition in 2010 of a 50% interest in the Peabody-Winsway JV, which indirectly holds a number of coal-related licenses in Mongolia and is in the process of conducting exploration and planning the development of mining projects in respect of those licenses, we will continue to explore acquisition and joint venture opportunities to secure upstream coal resources in different countries. We believe that our strategy to invest in upstream mining assets will enhance our ability to secure long-term and stable supply of coal resources and further complete our value chain.

Expanding our presence in the eastern coastal regions of China to accommodate more seaborne procurement

We plan to increase our ability to import clean coal and to further expand our seaborne procurement platform. To further capitalize on the lower cost of coal processing in China, we also intend to enhance our coal processing capacity in China, especially in the eastern coastal regions, and accordingly increase the import of raw coal from other countries. To that end, we have constructed a coal processing facility at Bayuquan port, which is in its start-up phase, and we are constructing a coal processing facility at Longkou port. We expect that both facilities will be completed and fully operational by the end of 2011. We also plan to explore the possibility of constructing a coal processing plant at Yangkou port and invest in docking facilities dedicated to coal transportation and shipment at Longkou port.

Exploring new markets

To increase penetration of our products, we plan to continue to expand our sales network to cover the major steel makers and coke plants in China and to increase our sales network in overseas markets. We commenced our sales to Japan in 2008 and we are currently exploring further opportunities in Japan through our internal feasibility studies with a view to undertaking more export sales to Japan in future. We believe our "one-stop shop" coking coal supply solution to our customers is critical to our success. To this end, we will continue to develop a broader range of standardized coking coal products. In addition, given our steel maker customer base, we plan to explore expanding our product base to iron ore.

Recent developments

In January 2011, for the purpose of increasing our railway transportation capacity, we jointly established Huayuan Logistics with Mongolia Hutie Investment, a subsidiary of Hohhot Railway Bureau, and other parties to engage in the ownership of rail cars related to coal and mineral products transportation logistics. We hold a 9% equity interest in Huayuan Logistics and are the second largest shareholder after Mongolia Hutie Investment, which holds a 20% of its equity interest. Pursuant to the capital contribution agreement among us and other shareholders of Huayuan Logistics, Huayuan Logistics will purchase more than 3,000 rail cars. As a result of this investment, we expect our railway transportation capacity will increase approximately by 1.2 mt per year.

In March 2011, we entered into a strategic cooperation agreement with a subsidiary of China Shenhua Energy Company Limited, Shenhua Ganquan, which is the owner and operator of the 354 kilometer Ganquan Railway connecting Baotao and Gants Mod and in which we currently hold a 5% equity interest. Pursuant to the strategic cooperation agreement, Shenhua Ganquan will connect the Ganquan Railway to our logistics park and processing plant at Gants Mod. Our wholly-owned subsidiary, Baotou Haotong, will increase its shareholding in Shenhua Ganquan from 5% to 9.5% by investing an additional amount of RMB280 million in cash and become the second largest shareholder. Under the strategic cooperation agreement, as a shareholder of Shenhua Ganquan, we will have the priority, as long as other conditions are identical, to be included in the transportation capacity allocation plan of Guaquan Railway. This strategic cooperation agreement is subject to the shareholders' approval of Shenhua Ganquan and, after obtaining such an approval, we will enter into another agreement with Shenhua Ganquan to finalize the detailed contractual terms with respect to this project. For further details of the above recent developments please refer to the sections headed "Our Business—Transportation—Strategic investment in railway lines and railway logistics centres in the PRC" in this Offering Memorandum.

SUMMARY OF THE OFFERING

Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes."

Issuer	Winsway Coking Coal Holdings Limited (the "Company").
Notes Offered	US$500,000,000 aggregate principal amount of 8.50% Senior Notes due 2016 (the "Notes").
Offering Price	100.00% of the principal amount of the Notes.
Maturity Date	8 April 2016.
Interest	The Notes will bear interest from and including 8 April 2011 at the rate of 8.50% per annum, payable semi-annually in arrears.
Interest Payment Dates . . .	8 April and 8 October of each year, commencing 8 October 2011.
Ranking of the Notes	The Notes are: • general obligations of the Company; • senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; • at least pari passu in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); • guaranteed by the Subsidiary Guarantors on a senior basis, subject to certain limitations described in the sections headed "Risk Factors—Risks Relating to the Subsidiary Guarantees and the Collateral" and "Description of the Notes—The Subsidiary Guarantees;" • effectively subordinated to the other secured obligations (if any) of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefore; and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries. After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors and subject to certain limitations described under "Risk Factors—Risks Relating to the Subsidiary Guarantees and Collateral," the Notes will: • be entitled to a first priority lien on the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors (subject to any Permitted Liens); • rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law); and

	• rank effectively senior in right of payment to unsecured obligations of the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by each Subsidiary Guarantor Pledgor securing the Notes (subject to priority rights of such unsecured obligations pursuant to applicable law).
Subsidiary Guarantees . . .	Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. A Subsidiary Guarantee may be released in certain circumstances. See "Description of the Notes—Release of the Subsidiary Guarantees." The initial Subsidiary Guarantors will consist of all of the Restricted Subsidiaries other than (i) those Restricted Subsidiaries organized under the laws of the PRC and (ii) Winsway Coking Coal Macao. Certain of the initial Subsidiary Guarantors are holding companies that do not have significant operations or real property assets. Please refer to the section headed "Risk Factors—Risks Related to the Subsidiary Guarantees and the Collateral—Certain of the our initial Subsidiary Guarantors do not currently have significant operations." Any future Restricted Subsidiary, as defined under "Description of the Notes—Certain Definitions" (other than subsidiaries organized under the laws of the PRC), will provide a guarantee of the Notes promptly upon becoming a Restricted Subsidiary.
Ranking of Subsidiary Guarantees	The Subsidiary Guarantee of each Subsidiary Guarantor: • is a general obligation of such Subsidiary Guarantor; • is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; • is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and • ranks at least pari passu with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law). After the pledge of the Collateral (as described below) by the Company and the Subsidiary Guarantor Pledgors, the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor: • will be entitled to a first ranking security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor (subject to any permitted liens); and • will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral

	securing such Subsidiary Guarantee (subject to any priority right of such unsecured obligations pursuant to applicable law). See "Risk Factors—Risks Relating to the Subsidiary Guarantees and Collateral."
Security to be Granted . . .	The Company has agreed, for the benefit of the holders of the Notes, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of each initial Subsidiary Guarantor (collectively, the "Collateral") in order to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. The Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each Subsidiary Guarantor Pledgor may incur Permitted Pari Passu Secured Indebtedness which would be secured by the Collateral on a pari passu basis with the Notes and the Subsidiary Guarantees. See "Description of the Notes—Security."
Use of Proceeds	We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US$488.0 million. We intend to use the net proceeds as below: • approximately 60% of the net proceeds to finance our investments in our subsidiaries, joint ventures and/or entities which may not be Restricted Subsidiaries to purchase rolling stock and other transportation-related vehicles and invest in railway-related infrastructure for the purpose of increasing our transportation capacity; • approximately 25% of the net proceeds to finance investments in upstream resources through new acquisitions and/or joint venture projects (which in each case may involve investments in entities which are not Restricted Subsidiaries) and otherwise to secure upstream resources; and • approximately 15% of the net proceeds for working capital and our other general corporate purposes. We may adjust our development plans in response to changing market conditions, circumstances such as a failure to obtain requisite approvals, changes in government policies and other factors and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest such net proceeds in "Temporary Cash Investments" as defined under "Description of the Notes."
Optional Redemption	At any time on or after 8 April 2014, the Company at its option may on any one or more occasions redeem the Notes, in whole or in part, at the redemption prices set forth in "Description of the Notes—Optional Redemption" plus accrued and unpaid interest, if any, to the redemption date.

At any time prior to 8 April 2014, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined herein) as of, and accrued and unpaid interest, if any, to the redemption date.

At any time and from time to time prior to 8 April 2014, the Company may redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 108.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

Repurchase of Notes Upon a Change of Control Triggering Event .... Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Redemption for Taxation Reason .... Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor becomes or would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See "Description of the Notes—Redemption for Taxation Reasons."

Covenants .... The Notes, the Indenture governing the Notes and the Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

	• enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes—Certain Covenants."
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 of principal amount and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of The Depository Trust Company.
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear and Clearstream, Luxembourg. For a description of certain factors relating to clearance and settlement, see "Description of the Notes—Book-Entry; Delivery and Form."
Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about 8 April 2011 which the Company expects will be the business day following the date of this offering memorandum referred to as "T+5." You should note that initial trading of the Notes may be affected by the T+5 settlement. See "Plan of Distribution."
Trustee	Deutsche Bank Trust Company Americas
Paying Agent and Note Registrar	Deutsche Bank Trust Company Americas
Collateral Agent	Deutsche Bank Trust Company Americas
Listings	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. Admission of the Notes to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the Company, its respective subsidiaries or associated companies or the Notes.
Governing Law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York. The relevant pledge documents will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk Factors."

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data (other than US dollar amounts, which are provided for convenience only) as of and for the years ended 31 December 2008, 2009 and 2010 has been derived from our consolidated financial statements that have been audited by KPMG.

Selected Consolidated Income Statement Information

	Year ended 31 December			
	2008	**2009**	**2010**	**2010**
	HKD ’000	**HKD ’000**	**HKD ’000**	**USD ’000**
Continuing operations				
Turnover	1,113,858	5,283,216	9,271,665	1,191,578
Cost of sales	(619,786)	(4,322,158)	(7,154,115)	(919,434)
Gross profit	494,072	961,058	2,117,550	272,144
Other revenue	6,913	8,902	25,972	3,338
Distributing costs	(122,825)	(268,945)	(471,487)	(60,595)
Administrative expenses	(69,817)	(103,974)	(358,533)	(46,078)
Other operating expenses, net	(11,224)	(730)	(11,166)	(1,435)
Profit from operating activities	297,119	596,311	1,302,336	167,374
Finance income	5,023	7,041	65,825	8,460
Finance costs	(3,734)	(42,034)	(179,928)	(23,124)
Net finance income/(costs)	1,289	(34,993)	(114,103)	(14,664)
Share of losses of jointly controlled entity	-	-	(8,080)	(1,039)
Profit before taxation	298,408	561,318	1,180,153	151,671
Income tax	11,927	(70,367)	(251,390)	(32,308)
Profit from continuing operations	310,335	490,951	928,763	119,363
Profit attributable to:				
Equity shareholders of our Company	274,228	515,255	928,826	119,371
Non-controlling interests	(1,048)	-	(63)	(8)
Profit for the year:	273,180	515,255	928,763	119,363

Selected Consolidated Statement of Financial Position Information

	As at 31 December			
	2008	2009	2010	2010
	HKD '000	HKD '000	HKD '000	USD '000
ASSETS				
Current assets	1,173,872	3,950,515	7,661,921	984,696
Non-current assets	424,210	547,797	1,461,099	187,778
Total assets	1,598,082	4,498,312	9,123,020	1,172,474
LIABILITIES				
Current liabilities	989,490	3,354,203	2,418,185	310,781
Non-current liabilities	2,148	-	159,966	20,559
Total liabilities	991,638	3,354,203	2,578,151	331,340
Total equity	606,444	1,144,109	6,544,869	841,134
Total liabilities and equity	1,598,082	4,498,312	9,123,020	1,172,474

Selected Cash Flow information

	For the year ended 31 December			
	2008	2009	2010	2010
	HKD '000	HKD '000	HKD '000	USD '000
Net Cash generated from/(used in) operating activities	141,870	(352,623)	47,392	6,091
Net Cash used in investing activities	(585,425)	(647,260)	(1,056,369)	(165,763)
Net Cash generated from financing activities	511,495	1,164,500	3,568,917	458,671

Unaudited Other Financial Data

	For the year ended 31 December			
	2008	2009	2010	2010
	HKD	HKD	HKD	USD
	(in thousands, except for percentages and ratios)			
EBITDA[1]	287,674	682,678	1,352,861	173,867
EBITDA margin[2]	25.8%	12.9%	14.6%	
Total debt/EBITDA[3]	2.4x	2.3x	0.8x	
EBITDA/Gross interest expense[4]	11.0x	13.6x	7.5x	

[1] EBITDA for any period consists of profit for the year before net finance costs, amortization of intangible assets, amortization of lease prepayments, income tax expense and depreciation. We have included EBITDA data because such data is commonly used by investors to measure a company's ability to service debt. EBITDA is not, and should not be used as, an indicator or alternative to profit from operating activities, profit for the year or cash flow as reflected in our consolidated financial statements, is not intended to represent funds available for debt service, dividends or other discretionary uses, is not a measure of financial performance under IFRSs and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRSs. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that the EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

[2] EBITDA margin is calculated by dividing EBITDA by turnover.

[3] Total debt consists of secured bank and other loans (both current and non-current).

[4] Gross interest expense is calculated using the finance costs amounts in consolidated income statement. Finance costs in 2010 included interest expense of HKD100.6 million resulting from the accounting treatment of the interest on liability component of Convertible Bonds and Preference Shares. As at 31 December 2010, all the holders of the Convertible Bonds and Preference Shares had exercised their respective conversion right under the Convertible Bonds or Preference Shares and the conversion took place on 24 September 2010.

RISK FACTORS

An investment in the Notes is subject to significant risks. You should carefully consider all of the information in this Offering Memorandum and, in particular, the risks described below before deciding to invest in the Notes. The following describes some of the significant risks that could affect us and the value of the Notes. Additionally, some risks may be unknown to us and other risks, currently believed to be immaterial, could turn out to be material. All of these could materially and adversely affect our business, financial condition, results of operations and prospects. The market price of the Notes could decline due to any of these risks and you may lose all or part of your investment. This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties including those described under "Forward-Looking Statements" elsewhere in this Offering Memorandum. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Offering Memorandum.

Risks related to our business and our industry

We are experiencing a period of rapid growth and may not be able to replicate such growth or manage our growth effectively

We have grown rapidly over the past few years and intend to further expand our operation and infrastructure in the future. Our logistics parks at Gants Mod and Ceke have only been in operation for less than three years and our newly constructed logistics park at Erlianhaote is currently in the start-up stage. Our design capacity at our Urad Zhongqi coal processing plant increased from 1.0 mtpa to 2.0 mtpa in the third quarter of 2008, and to 6.0 mtpa in the fourth quarter of 2010. In addition to our coal processing plants in Urad Zhongqi and Ceke, we have also recently built or are building coal processing plants at Jining, Bayuquan port and Longkou port and are currently expanding the coal processing plant at Urad Zhongqi. It is also our plan to invest in and construct docking facilities at Longkou port as well as coal processing plants at Yangkou port. We have built or are building railway logistics centres at Jining, Ceke and Erlianhaote and we plan to jointly develop and operate railway logistics centres at Gants Mod, Urad Zhongqi and potentially Mandula and Zhu'engadabuqi, with Hohhot Railway Bureau. We also plan to replicate our Mongolia business model in respect of our procurement of Russian coal by developing and operating logistics parks, construct and operate railway logistics centres, and construct coal processing plants at the Sino-Russian border crossings. We have agreed to cooperate with Harbin Railway Bureau to jointly develop and operate a logistics park at the Manzhouli Sino-Russian border crossing. We also plan to build a logistics park at the Suifenhe and Hunchun Sino-Russian border crossings.

There are various risks associated with the development and construction of these projects. For example, each of these projects is subject to the approvals of various governmental departments in the PRC, and there is no assurance that we will be able to obtain all necessary approvals expediently or be allowed to implement our projects in accordance with our plans. Further, our rapid development in the past few years has created a strong demand for new capital in order to finance our projects and we expect we will continue to require substantial initial capital outlay in order to implement the above projects in accordance to our plan. There can be no assurance that we will be able to secure sufficient financing to fund these projects, given that these projects may require a higher capital outlay than that expected by us and that, if sufficient financing is available, we are able to efficiently deploy our capital to meet the investment schedule or in accordance with the actual requirements of these projects. In addition, there can be no assurance that our management team possesses the required technical and operational expertise required for the development and operation of these projects, and there can be no assurance that we will be able to attract and retain sufficient experienced technical personnel to implement and manage these projects. Please also refer to the section headed "Risk Factors—Risks Related to Our Business and

Our Industry—We are exposed to certain risks in respect of the development and construction of new logistics parks, railway logistics centres and coal processing plants and expansion of our seaborne coal operations to certain seaports" in this Offering Memorandum.

To accommodate our planned growth, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems, all of which require substantial management effort, human resources, expertise and significant additional expenditures. As we have a limited history operating on such a large scale, we may not have sufficient experience and expertise to address the risks frequently encountered by companies that attempt to realize a large increase in capacity in a short time, including our potential failures to:

- effectively manage large scale production;
- manage the logistics, utility and supply needs of our expanded operations;
- maintain adequate control over our expenses; or
- attract, train, motivate and retain qualified personnel.

We cannot assure you that we will be able to manage our growth effectively, and failure to do so may have an adverse effect on our business, prospects, financial condition and results of operations.

The supply of coal from Mongolia to China may be limited by the availability and stability of transportation services and border-crossing handling capacity at Sino-Mongolian border crossings. Our future growth may accordingly be adversely affected

Currently all our Mongolian coal is transported into China through the two border crossings at Sino-Mongolian border, namely the Gants Mod and Ceke border crossings. Currently all our major Mongolia-based suppliers' mines are only connected to Sino-Mongolian borders by unpaved gravel roads. Further, we and our Mongolia-based suppliers primarily rely on an Independent Third Party, Moveday, for transportation of a significant portion of coal purchased by us from our suppliers' mine to our logistics parks at Gants Mod and Ceke border crossings. Although we have not experienced any major disruption to the transportation service in Mongolia in the past, there can be no assurance that inadequate or disruptions to the transportation service, which may be caused by severe weather conditions, changes to political and legal environment in Mongolia or impairment to the available infrastructure, as well as any major disruption to business and operations of Moveday, will not occur in the future. In particular as Moveday is an Independent Third Party, there is no assurance that we will be able to continue to procure services from Moveday which are sufficient to meet our future needs and that we will be able to find a satisfactory replacement of Moveday and, if so, in a timely manner if it is unable or unwilling to meet our needs. Any shortage or disruption to the transportation service is likely to affect the volume and stability of supply from Mongolia. At these Sino-Mongolian border crossings, a bottleneck in the transportation and import of coal may arise if the border-crossing handling capacity at these Sino-Mongolian border crossings is not sufficient to support an increase in the amount of coal transportation and import. Potential customers are likely to factor in any delays and the costs and availability of transportation in determining whether they are willing to purchase coal from us and the price they are prepared to pay.

Our operations are also highly dependant on the throughput volume of the Sino-Mongolian border crossings. Although there have been improvements to the clearance infrastructure to increase the throughput capacity and efficiency at the Gants Mod and Ceke border crossings in 2010, there can be no assurance that there will be further improvements made to the infrastructure at the Gants Mod and Ceke border crossings, and there can be no assurance any the improvement will achieve its intended results in increasing throughput capacity and efficiency at these border crossings. There can be no assurance that the PRC and Mongolian governments will continue to support the further development and expansion of border-crossing handling capacity at these border crossings, and if such support is not forthcoming, there may not be any future increase in throughput volume and capacity. There can also be no assurance that our coal will be handled by the respective customs authorities in priority over other coal or freight being transported by third parties including our competitors. The opening hours of the Gants Mod and Ceke border crossings also affect our ability to increase the volume and rate of our coal shipment. In addition, there can be no assurance that the customs authorities at the border crossings can handle the throughput in an efficient manner throughout the year due to various factors that are beyond our control. As a result, we may experience difficulty in moving our coal shipments across the Sino-Mongolian borders efficiently, which could affect our sales volume and reduce our profitability. If the capacity of transportation infrastructure and infrastructure at border crossings does not increase, our future growth may be adversely affected.

We utilize the PRC national railway to transport our coal products to our coal processing plants and customers, any major disruption of which may adversely affect our business and results of operations. We have limited ability to secure sufficient capacity on national railway to transport our coal products to target markets

We utilize the PRC national railway system to deliver our coal products to our customers. Due to the limited railway transportation capacity available and the great demand for such capacity, the allocation of transportation capacity is subject to a number of factors including market conditions, government policy and regulatory decisions. Accordingly, there is no assurance that our transportation requirements can be fully satisfied in the future, nor is there assurance that we will not experience any material delay in the transportation of our coal as a result of insufficient railway transport capacity. After raw coking coal is processed at our coal processing plants, we will still rely primarily on the national railway system to transport our products from those locations to our customers. There can also be no assurance that the local railway system will be able to secure sufficient railway transportation capacity to transport the processed coking coal products we produce. It cannot be assured that the railway transportation capacity connecting to major steel production regions will improve. In addition, in the PRC, railway infrastructure and capacity have in the past been affected by extreme weather conditions, earthquakes, delays caused by major rail accidents, the diversion of rolling stock needed to deliver emergency food relief and seasonal congestion during public holidays. There can be no assurance that these problems will not recur or that new problems will not occur. Under any of these circumstances, our customers may not be able to take delivery of our coal, which may lead to delays in payment, or refusal to pay, for our coal and, as a result, our business and results of operations could be adversely affected.

In addition, any significant increase in transportation costs would add to our overall cost base, which may in turn have an adverse effect on our business and results of operations.

Our strategy to obtain more transportation capacity by investing in business owning rolling stock and railway may not be successful

As part of our strategy, we are seeking to secure additional transportation capacity within China's national railway system. We invested in Huayuan Logistics with Hohhot Railway Bureau and other parties to engage in the business of coal and mineral products transportation logistics in January 2011 and we hold a 9% equity interest in Huayuan Logistics. Further, we plan to use approximately 60% of the net proceeds of the offering to invest in businesses owning railway and/or rolling stock by acquiring equity interest or forming joint ventures with companies in China.

According to the capital contribution agreement entered into by, among others, Inner Mongolia Haotong and Mongolia Hutie Investment dated 8 January 2011, with regard to the establishment of Huayuan Logistics, Huayuan Logistics will purchase more than 3,000 rail cars for the transportation of coal and mineral products inside and outside Inner Mongolia. We anticipate that by acquiring interest in Huayuan Logistics, our quota of railway transportation will increase. However, there are factors which may affect the business of Huayuan Logistics. Among others, Huayuan Logistics was recently established and it is not certain whether the expected procurement and the operation will run smoothly and when it can achieve the planned operational result within the timeframe expected by the investors. Further, although we are the second largest shareholder holding a 9% equity interest in Huayuan Logistics, we do not have the full management control in Huayuan Logistics. Therefore, there is no assurance that we will be allocated the quota of railway transportation we anticipated when we decided to make the investment. Similarly, if we make investment in other rolling stock companies on a non-controlling basis with the intention of increasing our transportation capacity, we may not be able to obtain the transportation quota as expected. In such cases, we may not be able to recover our investment amount or achieve the expected investment results and accordingly affect our long-term plan of increasing the transportation capacity.

Our strategy to invest in rail cars through our joint ventures also faces several risks. Approval from the Ministry of Railways is required before such railway joint ventures can engage in railway transportation business with self-owned rolling stock. Such approvals may not be obtained or may be obtained for only a portion of the rail cars we plan to purchase. In such event, the limitation on our ability to transport increased quantities of coal by rail due to the lack of rail cars may adversely affect our plans to increase our volumes of coal supplied to our customers or reduce our profit margin if we need to enter into contract with third parties for rail cars or other transportation vehicles. In addition, because we plan to use a significant portion of the proceeds of the offering of the Notes to purchase rolling stock, if we do not received the approval to do so, we may not be able to use the proceeds in a timely manner or at all, which could adversely effect our financial results if the proceeds are invested in instruments with a lower yield than our interest payments on the Notes.

The ownership and use of rail cars in the PRC is subject to regulations published by the Ministry of Railways. Such regulations are complex and cover a broad area. In addition, it is possible that such regulations and/or the government's policy toward private ownership of rail cars may be amended or different in the future. Please refer to the section headed "Regulations—Transportation and logistics in the PRC—Transportation by self-owned rail cars" in this Offering Memorandum for further information. As we do not have experience in complying with such regulations, we may not have the ability to do so. In addition, in complying with such regulations, we will be heavily dependent on the Hohhot Railway Bureau, our partner in such railway joint ventures, which may have interests that are not aligned with ours. In addition, we do not have experience in owning rolling stock and may lack the experience and skills to adequately manage a rail cars fleet in an efficient and profitable manner.

We may not be able to receive the desired financial return from the rail cars fleet that we purchase. Our ability to achieve such desired financial results may be adversely effected by new government levies, taxes or fees on rail cars or its use, competition from other owners of rail cars or alternative means of transportation, our inability to obtain coal in sufficient quantities to fully use the amount of rail cars purchased, lack of increases in demand from our customers or our ability to obtain new customers or other circumstances or events not yet contemplated.

We may not be able to obtain the transportation capacity as we expected when we make investment in rolling stock and railways

It is our strategy to cooperate with railway authorities in the PRC and to invest in rolling stock and railway companies for the purpose of increasing our transportation capacity. The railway companies and authorities in the PRC usually allocate their transportation quota of specific railways annually or on a regular term. We expect, by cooperating with railway authorities, participating in railway projects and investing in and holding equity interest in railway and/or rolling stock companies, we will have the priority over other entities, which do not have the same cooperation relationships with the relevant railway authorities or do not have any or have less equity interest in those railway and/or rolling stock companies, to be included in those authorities' and companies' railway transportation allocation plans and to obtain certain amount of transportation quota each year.

However, the railway authorities and railway companies are not contractually bound to provide us a fixed amount or percentage of their transportation quota in the relevant joint ventures or cooperation agreements. Therefore, it is possible that we will not obtain the additional amount of transportation capacity as we expected when we invest or enter into the joint venture or cooperation agreements. In addition, our "registered status" allows us to submit our transportations requirements and needs to the Hohhot Railway Bureau for its consideration, but it is not guaranteed that we will be included in its transportation capacity allocation plan or obtain the full amount of the transportation quota which we apply for. If we do not obtain the additional transportation capacity as we anticipated, we might not be able to achieve the expected investment results and accordingly affect our long-term plan of increasing our transportation capacity.

We may make significant investments in Unrestricted Subsidiaries or minority interests

We may make significant investments in joint ventures or other entities that may be Unrestricted Subsidiaries or entities in which we will have a minority interest. These investments may involve joint ventures or other entities engaged in coal mining or owning railway, rolling stock or railway related infrastructure. We may use a portion of the proceeds of the offering to make these types of investments.

Although the Indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority interests, these restrictions are subject to important exceptions and qualifications. For a more detailed description of the exceptions, see the covenant entitled "Limitation on Restricted Payments" and the definition of "Permitted Investments" in "Description of the Notes".

We cannot assure you that such joint ventures or minority investments will contribute to the income or cash flow of our Group and it may suffer partial or complete loss with respect to such investments.

We may have difficulty managing our acquisitions or joint venture in upstream resources.

As part of our strategy to secure a stable supply of coal, we plan to acquire upstream resources. In 2010 we acquired a 50% interest in the Peabody-Winsway JV to participate in the coal exploration and mining business in Mongolia. Further, we intend to use approximately 25% of the net proceeds of the Offering to fund additional acquisitions and joint venture projects in upstream resources which may be investments in entities which may not be Restricted Subsidiaries in other locations.

We have a limited history of operating upstream resources and there is no assurance that we will be able successfully to operate or control these upstream resources, on our own or through Peabody Winsway JV or other entities which we may acquire in the future. We also have a limited history of operating in the jurisdictions where the entities in which we may acquire or invest in the upstream resources that are located or incorporated and therefore we may be exposed to certain risks relating to our ability to successfully operate in those new jurisdictions, including our lack of experience of dealing with relevant authorities to obtain approvals for our operation or planned projects or of dealing with financial institutions to obtain credit facilities in these jurisdictions to fund our operation. As such, our joint venture partners or other shareholders in the acquired or joint venture entities may have majority and/or control positions in such entities and, therefore, we may need to rely on such partners or other shareholders to operate the business. In addition, due to regulatory restrictions or requirements in different jurisdictions, we may not be able to manage or control the acquired entities which have the upstream resources. Furthermore, our acquisition or joint venture plans may place a significant strain on our managerial, administrative, operational, and financial resources. In order to manage our expansion of upstream resources, our operational systems may need to be expanded and adjusted and we may need to hire additional professional staff to meet the additional needs of our expanded scope of operations and investments. There is no assurance that our future operating systems and professional team can meet the demands of our operations and investments. Moreover, it is not guaranteed that the operation of the entities which we may acquire or invest in the upstream sector will be successful and we will be able to recover the amount we invested through the return which we expect to receive. In the event that our operating systems and professional team fail to meet the demands of our operations or we are not able to fully recover our investment, our business and our financial conditions may be materially adversely affected.

We may have difficulty managing our operations if we expand our product base to iron ore.

As part of our strategy to explore new markets, we plan to explore expanding our product base to iron ore, especially given our steel maker customer base. We have a limited history of dealing with iron ore and there is no assurance that we will be able to successfully market iron ore. We also have a limited knowledge of the iron ore market, therefore we may be exposed to certain risks relating to our ability to successfully operate in a new market, including our lack of experience in acquiring and handling iron ore and of dealing with relevant authorities to obtain approvals for our operation. Furthermore, our expansion of our product base to iron ore may place a significant strain on our managerial, administrative, operational, and financial resources. In order to manage our expansion into iron ore, our operational systems and logistics infrastructure may need to be expanded and adjusted and we may need to hire additional professional staff to meet the additional needs of our expanded scope of operations. There is no assurance that our future operating systems and logistics infrastructure and professional team can meet the demands of our operations. Moreover, it is not guaranteed that the investment into operational systems and logistics infrastructure will be successful and we will be able to recover the amount we invested through the return which we expect to receive. In the event that our operating systems, logistics infrastructure and professional team fail to meet the demands of our operations or we are not able to fully recover our investment, our business and our financial conditions may be materially adversely affected.

We may not be able to recover all or part of our loan to Moveday or our advance payments to certain Mongolian suppliers or receive the coal supply corresponding to such advance payments

We have provided a loan to Moveday to purchase additional vehicles to handle the increasing volume of coal procured by us in Mongolia. The loan is for an amount of US$40 million and is required to be used by Moveday solely for the purpose of purchasing vehicles for transporting coal purchased by us in Mongolia. The loan is made at an interest rate of LIBOR plus 3% and is repayable in five years in equal installments of US$8 million, commencing from 18 months after the receipt of the loan by Moveday. As at 31 December 2010, the entire amount of the loan had been drawn down. Please refer to the section headed "Business—Transportation—Transportation in Mongolia" in this Offering Memorandum for more details. The loan was made by us in order to assist Moveday in handling the increasing volume of coal procured by us in Mongolia. As Moveday is an Independent Third Party and the loan to Moveday is an unsecured loan, we 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).

We may make advance payments to certain of our suppliers to secure additional supply from them. Any such advance payments made by us may be to assist these suppliers in funding their continued development and expansion of their exploration and mining projects.

There is, however, no assurance that our all or part of our loan to Moveday and any advance payment to suppliers that we may make will be recovered, through exercise of our right to offset or otherwise, and if so, in accordance with the schedule of repayment as agreed. As a result of major disruption to the business or operations of Moveday or any such suppliers or other unforeseen changes, it is possible that Moveday and any of these suppliers may not be able to repay all or part of our loan or advance payment, or deliver coal against the advance payment, as applicable. Further, we have not obtained any collateral over the loan and in the event Moveday is unable to repay our loan, our financial condition may be adversely affected. In addition, the expansion or development of these suppliers' projects may not succeed or their production amount may not be increased. If these supplier's projects fail to reach the expected result, these suppliers may have difficulty of supplying us with the contracted amount of coal to us.

Shortage or suspension of coking coal supply from our Mongolia-based suppliers could result in an adverse impact on our business operation, results of operations and our return on investment in the infrastructure at border crossings, railway network and coal processing plants

We have enjoyed supply relationships with four Mongolia-based mining companies, which have allowed us to secure a stable supply of Mongolian coal to meet the increasing demands for our products during the period comprising the three years ended 31 December 2010. We anticipate that we will continue our supply relationship with our Mongolia-based suppliers in order to be able to obtain a stable and constant supply of coking coal. Supply contracts between these Mongolia-based suppliers and ourselves are entered into on a quarterly or yearly basis and we may enter into discussions with our suppliers to discuss any adjustment to the purchase price based on prevailing market conditions on a quarterly basis. We have long-term strategic cooperation agreements in place with three of our four Mongolia-based suppliers. Although we have not experienced any major dispute, interruption, delay or shortage in supply from our suppliers in Mongolia in the past, there is, however, no assurance that we will be able to agree with our suppliers the terms of our annual or quarterly supply agreements or that we will not encounter any form of disputes, interruption, delay or shortage in supply from our suppliers in Mongolia in the future. If this happens, we may need to source our coking coal supply from other suppliers including those from Australia, the US, Canada and Russia. We may not be able to secure sufficient supply from other existing and new suppliers and if so, at the same price or volume. As such, any interruption, delay or shortage of coal supplies which we encounter from our Mongolia-based suppliers may have an adverse impact on our business operation or results of operations.

In addition, to increase our capacity to handle the expected increasing supply of Mongolian coal to China, we have made a series of investments in the infrastructure at border crossings, railway networks and coal processing plants. Investment return on such infrastructure depends on our ability to obtain stable and sufficient quantities of coal from our suppliers in Mongolia. If we cannot secure sufficient supply volumes from our Mongolia-based suppliers, our return on investment in the infrastructure at border crossings, railway networks and coal processing plants may be adversely affected and our investment may not be justified at all.

We rely on a number of third-party transportation companies to transport coal to our coal processing plants and customers in China. Any major disruption of their business may adversely affect our business and results of operations

In addition to the railway transportation, we also rely on a number of third-party transportation companies to transport coal from our suppliers' mines to our logistics parks at the border crossings or to China's sea ports and to our coal processing plants and customers within China. Although we have not experienced any major disruption in respect of the transportation services provided to us, there can be no assurance that sufficient transportation services will remain available to us. Any major disruption of their business and operation may adversely affect our business and results of operations and if we cannot replace them with alternative transport capacity, our business and results of operations may be adversely affected.

There are a number of risks associated with our dependence on a limited number of customers

Most of our products are sold to steel makers and coke plants in the PRC. For the years ended 31 December 2008, 2009 and 2010, our sales to our five largest customers accounted for 91.1%, 33.0% and 33.9%, respectively, of our total sales. For the years ended 31 December 2008, 2009 and 2010, our sales to our single largest customer accounted for 56.7%, 9.7% and 13.1%, respectively, of our total sales.

We anticipate that we will continue to rely on the business activities of our major customers, particularly those in the steel manufacturing industry. Our business, results of operations and financial position may be adversely affected by any economic or market downturn suffered by the PRC steel industry.

We have established long-term business relationships with Baosteel in Shanghai, Wuhan Iron and Steel, Jiujiang Qian'an Coke and Tangshan Jiahua. However, as with the industry practice, our customers have not agreed to any long-term purchase commitment at the outset. In addition, our sales contracts generally have yearly or quarterly terms, which specify the quantities and timing of purchases planned over the following year or quarter. Prices with respect to purchases made under letters of intent are generally determined near to the time of sale.

We cannot assure you that any of our customers will continue to place orders with us in the future, or if so at the same level or at the same price, as in previous periods. In particular, if we lose any of our major customers, we cannot assure you that we will be able to attract any new customer with the same scale or requirements or that any of our remaining customers will increase their demand to offset such shortfall on an expedited basis. As a result, our results of operations may fluctuate significantly in the future. Our profitability, working capital position and financial condition could also be adversely affected.

Our results of operations are vulnerable to any significant downturn in the PRC steel industry

Our business and prospects are heavily dependent on the demand for coking coal by steel makers and coke plants in China and especially in Hebei province and Inner Mongolia. For the years ended 31 December 2008, 2009 and 2010 sales to our top five customers accounted for 91.1%, 33.0% and 33.9%, respectively, of our total sales and all of these top five customers are steel makers or coke plants in China.

Our growth during the three years ended 31 December 2010 was to a certain extent fueled by the growth of the PRC steel industry in recent years. However, there can be no assurance that this growing demand will continue for our coking coal products from steel manufacturers in Hebei province and Inner Mongolia or other parts of China. Any significant downturn in the steel industry in China including performance of major steel manufacturers in Hebei province and Inner Mongolia could adversely affect our business, results of operations and financial condition.

Our results of operations may be affected by a number of factors beyond our control, including the average selling prices, fluctuations in raw material prices and sales volumes of our processed and raw coking coal products

Our future results of operations may be significantly affected by a number of factors beyond our control, including the average selling prices, fluctuations in raw material prices and sales volumes of our processed coking coal, which will be further affected by factors including, but not limited to, coal and coal-related product market conditions, steel market conditions, transportation costs and our ability to maintain safe operations and expand the scale of our operations. See also the section headed "Risk Factors—Risks related to our business and our industry—We utilize the PRC national railway to transport our coal products to our coal processing plants and customers, any major disruption of which may adversely affect our business and results of operations. We have limited ability to secure sufficient capacity on the national railway network to transport our coal products to target markets" in this Offering Memorandum.

Our operating results may be negatively affected by fluctuations in the price of raw coking coal. We are subject to short-term coal price volatility and may have to purchase raw coking coal at prices higher than we expect. We may not always be able to pass the cost increase of raw coal on to customers and we may not be able to do so in the future either. This may adversely affect our gross margins and profitability. If we fail to agree on a price with any customer under our purchase agreements, consistent with the market practices in China, customers may terminate the contract or refuse to buy all of the quantities contracted for. Further, sales prices of our coal to our customers are subject to quarterly adjustment after taking into account the prevailing market rate of coking coal in the PRC market, which typically correlate with the prevailing contracted coking coal price between major coking coal producers in Shanxi Province and large steel makers in China. The purchase price of the coal supplied by our Mongolia-based suppliers is primarily set annually or quarterly based on the prevailing market price. There can be no assurance that we will be able to perfectly match our sales prices with our purchase prices during a particular time period, and such mismatch, to the extent exists, may affect our profit margin and business operation adversely.

Our business and results of operations are susceptible to the cyclical nature of coal markets and are vulnerable to fluctuations in prices for coal products. We expect to derive substantially all of our turnover and cash flow from the sale of coking coal. Therefore, our ability to raise additional financing and maintain ongoing operations and our financial condition and results of operations will be directly related to the demand for, and price of, coking coal products. Coking coal demand and price are determined by numerous factors beyond our control, including the international demand for steel and steel products, the availability of coking coal supplies, international exchange rates, political and economic conditions in Mongolia, the PRC and elsewhere in the world, weather conditions, and production costs in major coal producing regions. The PRC and international coking coal markets are cyclical and have in the past exhibited significant fluctuations in supply, demand and prices from year to year. There has been significant price volatility on the coking coal spot market. In addition, our dependence on the PRC markets may result in instability in our operations due to political and economic factors in the PRC beyond our control which could affect domestic demand. The combined effects of any or all of these factors on coal prices or volumes are impossible for us to predict. If realized coal prices fall below the full cost of production of any of our future operations and remain at such a level for any sustained period, we could experience losses which could have a material and adverse effect on our financial condition. In addition, there can be no assurance that global and domestic coking coal prices will remain steady or move in tandem, and any fluctuation may affect the profitability, and in extreme cases, the feasibility of our business.

We generate a part of our turnover from seaborne coal trade. Fluctuation in international coking coal price or freight cost may potentially cause our seaborne coal business to be unprofitable

Other than Mongolian coal, we also source coal from other countries such as Australia, the US, Canada and Russia to supply to our customers. For the year ended 31 December 2009 and 2010, 60.9% and 44.8% of our turnover was derived from the sale of seaborne coal. We anticipate that we will continue to derive a portion of our turnover from seaborne coal business.

However, seaborne coal markets are cyclical and have in the past exhibited significant fluctuations in supply, demand and prices from year to year. Any increase in worldwide demand for seaborne coking coal, in whole or in part, may lead to an increase in the prices we will pay for the seaborne coal. Although China has continued to import Australian hard coking coal, there is no assurance that the coal price in China will remain at its current level or China will continue to import seaborne coal despite the relatively high price. Any decrease in the coal price in China may affect the profitability of our seaborne coal business. Freight charges form a significant component of the cost of seaborne coal. There is no assurance that freight charges will remain at its current level. Our seaborne coal business may be unprofitable if the price for the seaborne coal we buy is and remains higher than the price for which we sell to our PRC customers or if the freight cost for the transportation of seaborne coal to us increases significantly.

In addition, in light of changing regulations and market conditions in countries from which we source our seaborne coal, the supply of seaborne coal is determined by factors beyond our control and in the event that our suppliers are not able to supply us with the amount and quality of coking coal that we request for or that we encounter any form of disputes, interruption, delay or shortage in supply from our seaborne suppliers in the future including failure to renew our supply contracts, we may not be able to secure sufficient supply from other existing and new suppliers.

We need to maintain a number of licenses and permits required by relevant laws and regulations, and if we are not able to remain in compliance with all such laws and regulations, such licenses and permits may be revoked

Our business operations are subject to a number of licenses and permits required under relevant laws and regulations of the PRC. For example, we are required to obtain a coal operation certificate for coal trading in China. Details of the relevant PRC regulations are set out in "Regulations" in this Offering Memorandum. We may not be able to continue to comply with such laws and regulations due to factors that are beyond our control, and under those circumstances, our licenses and permits may be revoked and we may be subject to penalty. Our operational income derived under such licenses or permits may also be forfeited. To the extent that these laws, regulations and legal requirements are evolving, additional licenses and permits may be required or we may be required to adjust our activities in order to comply with such regulations and in doing so, may incur substantial costs. Our failure to comply with applicable laws and regulations could subject us to administrative liabilities, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material and adverse effect on our business, operations and finances.

Under applicable PRC laws and regulations, only large state-owned coal enterprises or state-controlled coal enterprises can be licensed to export coal from China. If we wish to export coal from China in the future, we will be required to comply with applicable laws and regulations in respect of export of coal from China and conduct such export business through these enterprises. There can be no assurance that we will be able to secure sufficient export quota through these enterprises.

In addition, the laws and regulations promulgated by the PRC central government may be principle-based only and therefore involve significant vagueness. It is therefore possible that local authorities, including those in Inner Mongolia, may interpret the licenses and permits required under the relevant laws and regulations differently from the central government authorities, which could lead to substantial uncertainties regarding our operations and activities in Inner Mongolia.

We have not obtained the relevant regulatory permits for the operation of certain facilities and processing plants and are applying for the land use rights and construction permits for some of our new projects in China

We have not obtained permits and approvals in respect of construction and use of certain buildings and facilities at our coal processing plants, logistics parks and other facilities. Our Ceke coal processing plant has commenced operation notwithstanding that fact that we have not passed certain regulatory inspections with respect to completion of construction. With regard to our newly constructed facilities, we have not obtained certain approvals in respect of the construction of our coal processing plant in Longkou port as well as the border-crossing conveyor belt systems connecting the Ceke logistics park and the Gants Mod logistics park. In addition, we have completed the construction of the railway loading system at Ceke, the railway logistics park at Erlianhaote and the coal processing plant at Jining and Bayuquan port, but we have not obtained certain required construction or planning permits or passed the regulatory inspections with respect to the completion of those facilities.

Separately, we are in the process of obtaining the relevant land use right certificates for some of our projects in China, such as the coal processing plants at Jining and Longkou port and the railway loading system at Ceke. However, we may not be able to obtain such certificates, in which case our rights as owner or occupier of relevant properties and our ability to complete the construction of those coal processing plants may be adversely affected. If we fail to obtain any of those approvals, permits or certificates in a timely manner, we may be subject to fines and/or correction, restoration or injunction orders which may cause suspension or termination of the construction or operations of those facilities. In such event, the expansion of our coal processing and logistical capacity, and in turn our business and financial condition could also be adversely affected.

Our investments in Mongolia, our operations at Sino-Mongolian border crossings and procurement of coal from Mongolia are subject to uncertainty associated with the legal system and the requirements and execution of minerals laws in Mongolia, which could limit the legal protection available to us and potential investors as well as the stability of our supply

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, which include (i) inconsistencies between laws and regulations; (ii) limited judicial and administrative guidance on interpreting Mongolian legislation; (iii) substantial gaps in the regulatory structure due to delay or absence of implementing regulations; (iv) the lack of established interpretation of new principles of Mongolian legislation, particularly those relating to business, corporate and securities laws; (v) a lack of judicial independence from political, social and commercial forces; (vi) a judiciary unaware of how to handle complex commercial transactions; (vii) bankruptcy procedures that are not well developed and are subject to abuse; and (viii) a national bias. Due to the understaffed and developing nature of the judiciary and the high volume of cases, it may be difficult to obtain swift and equitable enforcement, especially when complex commercial matters are the centerpiece of legal debate. Further, though the judiciary has no obligation to, and will not, enforce a judgement by a court of another jurisdiction, Mongolia is a signatory of the New York Convention and is bound to enforce foreign arbitral award. However, such enforcement has not been tested in practice in Mongolia and Mongolia has registered a reservation so that only foreign arbitral awards of a commercial, and not administrative, nature can be enforced.

In addition, under the Mongolia Minerals Law, the Mongolian state has a right to participate in a mineral company's exploitation of mineral deposits within its territory. The Mongolian state may acquire, for a private party-funded exploration project, up to 34%, or, for a state-funded or partly funded exploration project, up to 50% of the equity interest of the project if the mineral deposit is designated as strategically important to the country. However, it is possible that the Mongolian state may request a higher equity position in a project than the limit stipulated under the Mongolia Minerals Law if there is significant political or social pressure toward the participating party or the project. In addition, it is also possible that the Mongolian authorities will stop issuing new mining or exploration licenses or invalidate issued mining or exploration licenses to obtain a stricter control over its mining industry.

Although we do 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. In addition, we are in the process of pursuing opportunities to acquire upstream coal resource in Mongolia in order to secure stable supply volume. For example, on 29 June 2010, we acquired a 50% interest in the Peabody-Winsway JV, the 100% holder of Peabody-Winsway Mongolia, a Mongolian legal entity engaging in coal exploration and mining in Mongolia. Peabody-Winsway Mongolia holds a number of coal-related licenses in Mongolia and is in the process of identifying and developing various explorations and mining projects in respect of those licenses. If any of our Mongolia-based suppliers' or Peabody-Winsway Mongolia's projects is designated as strategically important or any of their licenses is announced to be invalidated by the relevant Mongolia authorities, they may be requested to transfer a stipulated equity interest of the project to the government or terminate the project. In such cases, those suppliers and Peabody-Winsway Mongolia may not be able to continue developing their projects and subsequently may not be able to provide or develop the amount of raw coal as agreed or as expected. Accordingly, our operations and our plan of securing long-term coking coal supply could also be adversely affected.

The protections provided by Mongolian anti-expropriation and anti-nationalization laws may not be enforced in the event of an attempted expropriation or nationalization. Expropriation or nationalization of any of our assets, or portions thereof, potentially without adequate compensation, could materially and adversely affect our business and results of operations.

Development of roads infrastructure in Mongolia can be done by private parties; however, the land associated with the road-base cannot be transferred into private ownership. Please refer to the section headed "Regulations—Mongolian Operations—7 Investment in Road Infrastructure" in this Offering Memorandum.

Further, 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, labor 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 harm our competitiveness.

The global financial markets have experienced significant deterioration and volatility in the past few years, which may adversely affect our financial condition and results of operations. We may have limited ability to obtain financing to invest in new capacity and face capacity restraints

The current global financial crisis has adversely affected the world economy. With a deteriorating worldwide economy, demand for coking coal may diminish in China. In addition, the credit tightening environment may affect our ability to obtain financing, or banks may even reduce the amount of or discontinue the banking facilities currently available to us. This can adversely affect our ability to secure sufficient financing to fund our projects. In the short to medium-term, we are expanding our infrastructure and throughput capacities at Sino-Mongolian border crossings, and we plan to expand our seaborne coal operations to Bayuquan port, Longkou port and possibly Yangkou Port. Such expansion would require investment in new facilities or acquisition of stakes in other existing facilities. The construction of logistics parks and docking facilities is capital intensive and any new facilities that we establish will require substantial expenditure. Any expansion of our capacity will be highly dependent upon our ability to obtain additional financing, which is subject to a variety of uncertainties, including:

- our future financial condition and credit rating;
- general market conditions for financing activities;
- our Share price; and
- the PRC Government policies and regulations relating to ports operators and lending in general.

External financing may not be available in a timely manner, on acceptable terms, or at all. If we are unable to expand our capacity we may be unable to grow our business and remain competitive, or provide services to companies with significant capacity requirements, which may have a material adverse effect on our ability to grow our turnover.

There can be no assurance that actions taken by the PRC Government or other governments will be effective in addressing the global financial and economic crisis. In the event the global financial and economic crisis continues, becomes more severe, or lasts longer than currently estimated, our business, liquidity, financial condition, results of operations and prospects could be materially and adversely affected.

Our business may be adversely affected if we are unable to extend or refinance our short-term borrowings

We rely on short-term financing to fund our projects. We may fund capital expenditures with internally generated cash flow and short-term bank loans in the future. Our future liquidity, payment of trade and other payables and repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. We may not be able to renew or refinance our existing short-term bank loans or secure additional external financing and, in that event, our business may be materially and adversely affected.

We are dependent on future cash flows generated from our business and obtaining additional financing to support our business operations

We have cash requirements both for ongoing operating expenses, working capital, general corporate purposes and for interest and principal payments on our outstanding indebtedness. As of 31 December 2010, we had cash and cash equivalents of HKD2,894.4 million and net current assets of HKD5,243.7 million, respectively. For further details on changes in our cash flows, please refer to the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash flow" in this Offering Memorandum.

Our ability to generate adequate cash inflows from operating activities may be affected by decreasing sales or downward movements in coal product prices. We cannot assure you that we will be able to generate sufficient net cash inflow from our operations in the future. If we are unable to generate sufficient cash from our operations or secure additional financing to meet our obligations, we may be forced to reduce our capital expenditures or may not be able to continue as a going concern. Reduction of our capital expenditures could have a negative impact on our business and would make it more difficult for us to execute our strategy, including our expansion plans, in accordance with our expectations.

We are exposed to certain risks in respect of the development and construction of new logistics parks, railway logistics centers and coal processing plants and expansion of our seaborne coal operations to certain seaports

Our business strategy depends in large part on expanding and further developing our logistics parks, railway logistics centers and coal processing plants and expansion of our seaborne coal operations to certain seaports. To expand our throughput capacities at Sino-Mongolian crossings, we are currently constructing the conveyor belt systems which will connect the Ceke logistics park and the Gants Mod logistics park across the Sino-Mongolian border to their contiguous land in Mongolia. We are also constructing a logistics park at the Manzhouli Sino-Russian border crossing and a coal processing plant in Longkou port.

There is no assurance that we will be able to complete our various projects within budget or in a timely manner, or at all. If we are unable to successfully construct these projects, we may not grow as rapidly as we expect, and our competitiveness may be adversely affected.

The development of the logistics parks, railway logistics centers and coal processing plants and expansion of our seaborne coal operations to certain seaports may be affected by interference of natural conditions or an increase in construction costs. Further, the total investment of the logistics parks, railway logistics centers and coal processing plants and expansion of our seaborne coal operations to certain seaports will require capital expenditure. There is no assurance that we will be able to obtain sufficient funding for these projects.

We are still in the process of applying for construction permits for certain our projects. Furthermore, there is no assurance that approvals will be granted by relevant local government or regulatory authority to the development of the logistics parks, railway logistics centers, coal processing plants and seaports in the future or that there will not be a delay in securing such approvals. The planned projects could also be delayed or adversely affected by a number of other factors beyond our control, including, among others, the availability of sufficient funding, natural conditions and a lack of human resources. Moreover, the actual costs for such planned projects may exceed our original budget. As a result of project delays, cost overruns, changes in market circumstances or other reasons, we may not be able to achieve intended economic benefits or demonstrate commercial viability of the planned projects, which may in turn adversely affect our business, operating results and growth prospects.

We face competition from a number of PRC and international competitors

Competition in the PRC coking coal industry is based on many factors, including, among others, on numerous factors such as price and cost, production capacity and transport capabilities and coal quality and characteristics. We compete in the PRC with other large PRC and international coal mining companies in the supply of coal for the coke blend requirements of steel makers and coke plants. Due to their location and scale of operation, some of our PRC competitors may have lower transportation costs than we do. The PRC coking coal market is fragmented and we face price competition from other mining companies or mining operators that produce coal for significantly lower costs than us due to various factors, including their lower expenditure on safety and regulatory compliance. In addition, international coal producers, including those from Mongolia, may have more stable upstream supply, greater coal production capacity as well as greater financial, marketing, distribution and other resources than we do, and may benefit from more established brand names in international markets.

We believe our integrated service platform provides us with a competitive advantage in providing a stable supply of high-quality coking coal. Our competitors may attempt to establish business models similar to ours and it is possible that coking coal mines or steel plants may scale up their operations by expanding downstream or upstream and hence become our direct competitors in certain stages of the business of supplying coal into to China. In addition, it is possible for coking coal mines and our customers such as steel plants to directly contract with each other and thereby bypass the services that we currently provide to them. In such circumstances, these coking coal mines or steel plants may have advantages over us and we may not be able to compete effectively against them.

Our future success will depend on our ability to respond in an effective and timely manner to competitive pressure.

Our current and planned strategic cooperations and investments may not be successful

We plan to carry out and develop some of our business and infrastructure through joint ventures in the future. Such joint venture arrangements involve a number of risks, including but not limited to:

- disputes with project development partners in connection with the performance of their obligations under the relevant project or joint venture agreements;
- disputes as to the scope of each party's responsibilities under these arrangements;
- financial difficulties encountered by a project development partner affecting its ability to perform its obligations under the relevant project or joint venture agreements;
- conflicts between the policies or objectives adopted by the project development partners and those adopted by us; and
- the availability of the required approvals for the operation and development of the relevant projects.

Any of the above and other factors may adversely affect our ability to complete projects on a timely basis and within budget, which would affect our results of operations.

Prolonged periods of severe weather conditions could materially and adversely affect our business and results of operations

Severe weather conditions, such as sandstorm and blizzard, may require us to evacuate personnel or curtail operations and may cause damages to the logistics parks and railways which we rely on for our business, and which could result in the temporary suspension of operations or generally reduce our productivity. Prolonged sandstorm and heavy snow fall may also halt or cause delay in coal transportation to us. Any damage to our projects or delays in our operations caused by prolonged periods of severe weather could materially and adversely affect our business and results of operations.

Our business may be adversely affected by shortages in electricity, water and gasoline supply or increases in electricity, water and gasoline prices

We consume a substantial amount of electricity, water and gasoline in connection with our coal processing and transportation operations. We expect our demand for electricity, water and gasoline to increase as our production capabilities increase and our business grows. Although we have not experienced any major shortage or disruption in electricity or water or gasoline supply in the past, there can be no assurance that sufficient supply of electricity, water and gasoline will be available to us in the future. Any shortages or disruption in electricity or water or gasoline supply could lead to lengthy production shutdowns and increased costs related to recommencement of operations, which could have a material adverse effect on our business, financial condition or results of operations. Any significant increase in electricity, water and gasoline prices will increase our production costs and may adversely affect our results of operations if we are not able to pass the increased costs on to our customers.

Failure in our information and technology systems could result in delays to our business operations

Our operations are controlled and managed by modern software and hardware systems. These systems are intended to enable us to maximize efficiencies and monitor and control all aspects of our operations and are fundamental to ensuring that we maintain our competitiveness in our industry. We use information and technology systems that link our computers, communications control systems, global positioning system and geographic information system to control our transportation and logistics system. Although we have not experienced any major failure or breakdown in these systems in the past, there can be no assurance that there will not be any failure or breakdown of these systems in the future. Any failure or breakdown in these systems could interrupt our normal business operations and result in a significant slowdown in operational and management efficiency during such failure or breakdown. Any prolonged failure or breakdown could dramatically impact our ability to offer services to our customers, which could have a material adverse effect on our business and results of operations.

Some of the properties that we lease or occupy have defective or unclaimed title

We leased 32 properties for office, dormitory and auxiliary uses in the PRC of which 13 had defective title as at 31 December 2010.

The properties with defective titles or unregistered titles are mainly used for dormitories and administrative purposes. We cannot predict how our rights as a lessee of these properties, and our operations carried out on or from these properties, may be adversely affected as a result of the absence of vested legal title in these properties or sufficient right to lease or use these properties, or any dispute, claims or litigation arising thereof. We may be required to relocate our business operations carried out on properties that we do not have unassailable legal rights to use or occupy and such relocation could adversely affect our financial condition and results of operations. See the section headed "Business—Property—Properties leased" in this Offering Memorandum for further details.

Our operations are exposed to risks in relation to environmental protection

We are subject to certain laws and regulations concerning the protection of the environment. The particular environmental laws and regulations that apply to each property development project vary according to its location, the environmental factors associated with such development, construction and/or operations and the current and future use of the land and the properties. As the PRC Government increases its focus on the environment, our facilities including logistics parks and coal processing plants may be more strictly reviewed and inspected, and approval processes for future facilities or any alteration to existing facilities may be prolonged. Compliance with environmental laws and regulations may result in delays, cause us to incur substantial compliance and other costs and prohibit or severely restrict our activity in environmentally-sensitive regions or areas.

We cannot assure you that future environmental investigations will not reveal material environmental liabilities. Also, we cannot assure you that the PRC Government will not change existing laws and regulations or impose additional or stricter laws or regulations, compliance with which may cause us to incur a significant cost. In addition, we cannot assure you that we will be able to comply with all such laws and regulations in the future. lf we are unable to effectively and promptly comply with these changes, we may incur significant costs and may be subject to fines or be forced to suspend or shut down certain operations, which could have a material and adverse effect on our operations.

We may not maintain sufficient insurance coverage for the risks associated with the operation of our business and insurance coverage could prove inadequate to satisfy potential claims

We only have limited insurance coverage. As a result, we may have to pay out of our funds for financial and other losses, damages and liabilities, including those caused by fire, weather, disease, civil strife, industrial strikes, breakdowns of equipment, difficulties or delays in obtaining raw materials and equipment, natural disasters, terrorist incidents, industrial accidents or other causes. We also do not have any business interruption insurance or third party liability insurance. Although we have not suffered any major losses where our insurance coverage was insufficient to satisfy our claims, there can be no assurance that our insurance coverage will be sufficient in the future. Any business disruption or natural disaster may result in substantial costs and diversion of resources. Further, as at 31 December 2010, we engaged 536 staff through a labor despatch arrangement. Under such arrangement, if the labor despatch agent violates the applicable laws and causes damages to the staff dispatched, we could be held jointly and severally liable for losses suffered by the staff concerned if we are found to be in default of our obligations or not fulfilled our legal obligations. Losses incurred or payments we may be required to make may have a material adverse effect on our business, prospects, financial condition and results of operations to the extent such losses or payments are not insured or the insured amount is not adequate.

The interests of our principal shareholder, Mr. Wang, may differ from those of our other Shareholders or from the holders of the Notes

As at 31 December 2010, Mr. Wang, our Chairman and Chief Executive Officer, beneficially owns approximately 48.54% of our outstanding Shares. Accordingly, Mr. Wang has substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions, timing and amount of our dividend payments, and otherwise controls or influences actions that require the approval of our Shareholders and may impact the holders of the Notes. These actions may be taken even if they are opposed by our other Shareholders or are not in line with the interests of the holders of the Notes.

We believe that third parties may be discouraged from making a tender offer or bid to acquire us because of this concentration of ownership. For further information on the ownership of the Shares, see the section headed "Corporate Structure" and "Principal Shareholders" in this Offering Memorandum.

Foreign currency fluctuations could affect expenses and future earnings

The Notes are denominated in US dollars, while over 81% of our income in 2010 is denominated in Renminbi, a currency not freely convertible into other currencies. Our cost of coal purchased, accounting for over 90% of our total cost of sales in 2010, and some of our operating expenses are denominated in US dollar. The value of Renminbi against other foreign currencies is subject to changes in the PRC's policies and international economic and political developments. The PRC Government has, with effect from 21 July 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies, pursuant to which the Renminbi is no longer pegged solely to the US dollar. From 2005 to 2007, there were several instances where the PRC Government and the PBOC widened the daily trading band for Renminbi against non-US dollar currencies and enlarged the floating band for the trading prices in the inter-bank spot exchange market of the Renminbi against the US dollar around the central parity rate. Since then, the PRC central bank has allowed the official Renminbi exchange rate to float against a basket of foreign currencies. There can be no assurance that such exchange rate will not fluctuate widely against the US dollar or any other foreign currency in the future.

There has been pressure from foreign countries on the PRC Government to adopt a more flexible currency system that could lead to appreciation of the Renminbi. The exchange rate may become volatile, the Renminbi may be revalued further against the US dollar or other currencies, or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollar or other currencies.

If such reforms were implemented and resulted in devaluation of the Renminbi against the US dollar, our financial condition and results of operations could be adversely affected because of our substantial US dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into US dollars or otherwise, of our net assets, our earnings, any declared dividends in Renminbi to be translated or converted into US dollars or Hong Kong dollars, and our ability to satisfy our obligations under the Notes. Any unfavorable movement in the exchange rate may lead to an increase in our costs or a decline in sales, which could materially affect our results of operations.

Our organization and operating structure may subject us to unintended tax liability

Recently we started to centralize our procurement activities and mainly utilize our subsidiary Winsway Singapore together with our BVI incorporated entities to purchase coking coal from third party suppliers and resell to other entities within our Group for further processing or selling to external customers directly. The management team of Winsway Singapore and our BVI incorporated entities usually travel around Mongolia, Australia, Canada, the United States and other jurisdictions to undertake and negotiate for the procurement of coal from our overseas suppliers. Placing of the purchase orders and signing of procurement agreements are effected after our trade agent in BVI or our team in Singapore affix the relevant company chop on the agreements. Relevant shipping documents are processed by our agent in Macau and are endorsed by our management team at the locality of our overseas supplier. We believe that the effective management of these BVI-incorporated entities, Winsway Singapore and our Macau subsidiary are situated outside of the PRC and on this basis they should not be treated as PRC tax resident. Please refer to the sections headed "Risk Factors—Risks Related to Doing Business in the PRC—We may be deemed a PRC resident enterprise under the PRC EIT Law and may be subject to PRC taxation on our worldwide income, and interest payable by us to our foreign investors and gains on the sale of Notes may become subject to taxes under the current PRC tax laws" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Certain Income Statement Items—Income tax" in this Offering Memorandum for more information. With respect to these BVI-incorporated entities, we have not made any income tax provision as, pursuant to relevant BVI rules and regulations, we believe that our Group is not subject to any income tax in the BVI. However, as a result of the activities of the management of our BVI-incorporated entitles, which consist of traveling, negotiating, entering into supply contracts with our suppliers in a number of jurisdictions including Mongolia, Australia, Canada, United States, there is no assurance that such activities will not be challenged or deemed by relevant tax authorities to have triggered filing or tax obligations pursuant to relevant regulations. If any of our BVI-incorporated entities, Winsway Singapore and our Macau subsidiary is challenged or deemed by relevant tax authorities to have triggered any obligation to prepare tax filings or returns or even to pay tax or charges, our business, operations and financial condition may be adversely affected.

In addition, from 2010 onwards, our subsidiary in Singapore, Winsway Singapore, is subject to Singapore corporate income tax at a 10% concessionary tax rate under the Global Trader Program, a program launched by Singapore's Trade Development Board which encourages qualified products and commodities trading companies to choose Singapore as their regional or global base of operations. There is, however, no assurance that Winsway Singapore will continue to qualify under the Global Trader Program and enjoy such concessionary tax rate as a result of future changes to Winsway Singapore or future changes to relevant regulations relating to the Global Trader Program including the termination of the program itself. If any of this happens, our business, operations and financial condition may be adversely affected.

We may be unable to retain or secure key qualified personnel, key senior management or other personnel for our operations

We believe that the effective operation of our company depends, to a significant extent, upon the experience and continued efforts of our key management personnel. In particular, we rely on the expertise and experience of Mr. Wang, our founder, Chairman and Chief Executive Officer. Mr. Wang, with the co-operation of the other members of our senior management team, has formulated our strategies and been fundamental to our achievements to date. If we lose the service of Mr. Wang or any other key management personnel and are not able to replace any such personnel with someone who has similar knowledge or experience, our business may be disrupted and our results of operations may be materially and adversely affected. In addition, our ability to train operating and maintenance personnel is a key factor for the success of our business activities. If we are not successful in recruiting, training and retaining such personnel, our business and results of operations could be materially and adversely affected.

Our future plans at the Sino-Russian border crossings and procurement of coal from Russia are subject to uncertainty associated with the legal framework in Russia

Russia is still developing the legal framework required to support a market economy. The following risk factors relating to the Russian legal system create uncertainty with respect to the legal and business decisions that we make, many of which uncertainties do not exist in countries with more developed market economies:

- inconsistencies between and among the constitution, federal laws, presidential decrees and governmental, ministerial and local orders, decisions, resolutions and other acts;
- conflicting local, regional and federal rules and regulations;
- the lack of judicial and administrative guidance on interpreting legislation;
- substantial gaps in the regulatory structure due to delay or absence of implementing legislation;
- the relative inexperience of judges and courts in interpreting legislation;
- lack of an independent judiciary;
- corruption within the judiciary;
- a high degree of discretion on the part of governmental authorities, which could result in arbitrary actions such as suspension or termination of our licenses; and
- poorly developed bankruptcy procedures that are subject to abuse.

The nature of Russian legislation, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the Russian legal system in ways that may not always coincide with market developments place the enforceability and underlying constitutionality of laws in doubt and results in ambiguities, inconsistencies and anomalies. In addition, Russian legislation often contemplates implementing regulations which have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. All of these weaknesses could affect our ability in Russia to enforce our rights, or to defend ourselves against claims by others.

We are constructing a logistics park at the Manzhouli Sino-Russian border crossing and are in the process of planning the construction of logistics parks at the Suifenhe and Hunchun Sino-Russian border crossings. As a result of the uncertainty associated with the legal framework in Russia, the feasibility of construction and development of our planned investments at the Sino-Russian border crossings, as well as our procurement of coal from Russia in the manner currently contemplated may be materially and adversely affected.

The March 2011 earthquake and tsunami in Japan may reduce our current sales to Japan and limit our ability to increase our future sales to Japan

In March 2011 northern Japan suffered a major earthquake and tsunami, the full effects of which on the Japanese economy are not known. These natural disasters may cause our customers and potential customers in Japan to limit or cease their manufacturing operations, which would result in a reduction of the amount of coking coal purchased from us. As a result, our future financial performance may be adversely affected.

Risks related to doing business in the PRC

The PRC Government may request us to transfer title of rail cars to the government

Railways sector is a specially regulated sector in the PRC and railway-related matters, including owning rail cars, are also subject to the close supervision and control of the PRC Government. Currently, subject to the Ministry of Railways' approval, a private entity which engages in the railway transportation business is allowed to own rail cars, provided that it fulfills the relevant regulatory requirements and obtains a Railway Transportation with Self-Owned Rail Cars License (企業自備貨車過軌運輸許可證) from the Ministry of Railways. Such license is subject to annual inspection by the Ministry of Railways. In addition, after obtaining the license, such entity needs to cooperate and enter into railway transportation agreement(s) with national railway transportation operators in the PRC for the operation and management of its rail cars. Please refer to the section headed "Regulations—Transportation and logistics in the PRC-Transportation by self-owned rail cars" in this Offering Memorandum for further information.

It is part of our strategy to acquire rail cars through our subsidiaries and to make investments in joint ventures with railway authorities in the PRC and/or entities in which we have a minority interest. We plan to use a substantial portion of the proceeds of the Notes to make such investments in rail cars. However, it is possible that the Ministry of Railways may change its policy and stop issuing or renewing licenses to allow private entities to own rail cars or not permit private entities to participate in certain or any railway projects. In such case, it is possible that the Ministry of Railways may request all or certain private entities to transfer the title of rail cars owned by them to a government entity. In such event, we may not be able to continue to participate in those projects and obtain the additional transportation capacity we anticipated. In addition, if we have secured any additional coal supply or sales contracts based on the expected increased transportation capacity, we may face the risk of not being able to transport the coal from the suppliers and/or to deliver the coal to the customers on time. Furthermore, if we or the entities in which we invest are required to transfer title of rail cars to a government entity, we may not receive compensation which we believe to be adequate or at fair market value.

Our results of operations are subject, to a significant extent, to economic, political and legal developments in the PRC

Most of our business operations are conducted in the PRC and we anticipate continuing to supply all of our coal products in China in the near future. Accordingly, our business, financial condition, results of operations and prospects are significantly exposed to the economic, political and legal environment in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing, and the allocation of resources.

The PRC's economic growth over the past 30 years has been uneven, both geographically and among various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. These measures may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

The PRC economy is in transition from a planned economy to a more market-oriented economy and a substantial portion of the productive assets in the PRC is still owned by the PRC Government. The continued control of these assets and other aspects of the national economy by the PRC Government could materially and adversely affect our business. The PRC Government also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In the past, the PRC Government has implemented a number of measures, such as raising bank reserves against deposit rates to place additional limitations on the ability of commercial banks to make loans and raise interest rates, in order to decrease the growth rate of specific segments of the PRC's economy which it believed to be overheating. These actions, as well as future actions and policies of the PRC Government, could materially and adversely affect our liquidity and access to capital and our ability to operate our business.

Our turnover is primarily denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility

Our turnover is primarily denominated in Renminbi. The PRC Government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE provided that we satisfy certain procedural requirements. However, approval from SAFE or its local counterpart is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of our subsidiaries in China to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

Further, the value of the Renminbi against the US dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC and international political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including the Hong Kong dollar and the US dollar, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. On 21 July 2005, the PRC Government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. This change in policy has resulted in an approximately 25.9% appreciation of Renminbi against the US dollar between 21 July 2005 and 18 March 2011. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which may result in a further and more significant appreciation of the Renminbi against the US dollar.

Currently we have derivative financial instruments for the purpose of reducing our exposure to currency risk. We may decide to enter into more hedging transactions or purchase more derivative financial instruments in the future. In addition, following the offering of the Notes, we may enter into foreign exchange or interest rate hedging agreements in respect of our US dollar-denominated liabilities under the Notes. However, the availability and effectiveness of such instrument may be limited and it may not be able to cover our exposure completely. Furthermore, these hedging agreements or derivative financial instruments may require us to pledge or transfer cash and other collateral to secure our obligations under these agreements or derivative financial instruments, and the amount of collateral required may increase as a result of mark-to-market adjustments. If we were unable to provide such collateral, it could constitute a default under such agreements. Moreover, any appreciation of the Renminbi against the Hong Kong dollar or the US dollar or any other foreign currencies may result in the decrease in the value of the proceeds from the Offering. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our ordinary shares in foreign currency terms. In addition, any devaluation in the value of Renminbi against foreign currencies may make our products more expensive and thus less attractive to our customers in China. All of these factors could materially and adversely affect our financial condition and results of operations.

In addition, any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions, including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligations may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries, as relevant, in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligations, and the payment and any other consequences and effects of such early termination(s), may be material to our financial condition and/or any of our subsidiaries and may be material in relation to the performance of our or their respective obligations under or in relation to the Notes, if applicable, any indebtedness or any other present or future obligations and commitments.

Our PRC Subsidiaries may be unable to obtain and remit funds in foreign currencies.

The Company's ability to satisfy its obligations under the Notes depends primarily upon the ability of its subsidiaries in the PRC to obtain and remit sufficient funds in foreign currencies to pay dividends to the Company and to repay intercompany loans. As a substantial portion of our turnover is denominated in Renminbi, the PRC subsidiaries receive substantially all of their revenue in Renminbi. The PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of intercompany loans, evidence of the registration of the loan with SAFE). Pursuant to the PRC EIT Law, which became effective on 1 January 2008, if the Company is deemed a "non-resident enterprise," dividends distributed to the Company by its PRC subsidiaries and interest payments made to the Company by its PRC subsidiaries, are subject to a 10% withholding tax. Prior to making such interest payments, the relevant PRC subsidiary must also present evidence of payment of the 10%

withholding tax. If any such PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency, including the failure of SAFE to approve the foreign exchange for the payments of dividends and the relevant intercompany loans, the PRC subsidiary will be unable to pay to the Company dividends and interest and principal, when due, on such loans, which may affect the Company's ability to satisfy its obligations under the Notes.

Our operations are subject to uncertainty associated with the legal system in the PRC, which could limit the legal protection available to us and potential investors

Almost all of our business are conducted in China through our PRC subsidiaries and are governed by the PRC laws, regulations and legislative policies. Some of our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investment in the PRC and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is based on written statutes, and prior court decisions may be cited for reference but have limited precedential value. The interpretations of many PRC laws, regulations and rules are not always consistent among different government authorities with judicial power, and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. Laws, regulations and rules in the PRC and requirements of government authorities in the PRC may change over time and new requirements may impose restrictions or limit the scope of our operation or substantially increase the difficulty in our operation, or may impose additional licensing requirements on us. In addition, the PRC administrative and judicial authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to assess the outcome of administrative and legal proceedings and the level of legal protection we enjoy than in other well-developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners and suppliers and could adversely affect our business and results of operations.

There may be difficulties in seeking recognition and enforcement of foreign judgments

We conduct all of our operations in China and significantly all of our assets are located in China. In addition, most of our Directors and executive officers reside within China or Hong Kong. As a result, it may not be possible to effect service of process within the US or elsewhere outside of China or Hong Kong upon some of our directors and senior executive officers, including with respect to matters arising under US federal securities laws or applicable state securities laws. Moreover, our PRC legal counsel, King & Wood, has advised us that the PRC does not have treaties with the US or many other countries providing for the reciprocal recognition and enforcement of judgment of courts. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil or Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned" (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民事商業案件判決的安排》). Under this arrangement, which came into effect on 1 August 2008, whenever a designated People's Court of the Mainland or a designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to any written agreement between the parties on choice of forum for dispute resolution, the party concerned may apply to the relevant People's Court of the Mainland or Hong Kong court for recognition and enforcement of the judgment. However, we understand that the rights under the arrangement may be limited and the interpretation of and cases decided under the arrangement have not been fully developed, and, therefore, the outcome and effectiveness of any action brought under the arrangement are unclear.

We rely on dividends paid by our subsidiaries for our cash needs and our subsidiaries are subject to restrictions on the payment of dividends, and the repayment of inter company loans or advances to us and our subsidiaries

We are a holding company incorporated in the BVI and conduct substantially all of our operations through our PRC subsidiaries. We will rely on dividends paid by and the interest and principal payments on intercompany loans or advances from our PRC subsidiaries for our future cash needs that cannot be provided by equity issuance or borrowings outside of the PRC, including the funds necessary to pay dividends and other cash distributions to our shareholders, to pay our operating expenses, and to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments on the Notes. Further, certain loan agreements obtained by our PRC subsidiaries from PRC lender banks contain provisions that restrict or prohibit the payment or declaration of dividends or distributions without the banks' written consent. Please refer to the section headed "Description of other material indebtedness—PRC facilities agreements" in this Offering Memorandum for further information. These restrictions could have a negative impact on the calculation of our EBITDA and could also reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the ability of the Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees.

Regulations in the PRC currently permit payment of dividends by the PRC subsidiaries only out of accumulated profits as determined in accordance with the PRC generally accepted accounting principles. According to applicable PRC laws and regulations, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on the PRC generally accepted accounting principles each year for its statutory reserves until the amount of such reserves reach 50% of its registered capital. These reserves are not distributable as dividends. Contributions to such reserves are made from each of our PRC subsidiaries' net profit after taxation. In addition, if any of our PRC subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result, each of our PRC subsidiaries is restricted in its ability to transfer the net profit to us in the form of dividends. If our PRC subsidiaries cannot pay dividends due to government policy and regulations, restrictions under their loan agreements, or because they cannot generate the requisite cash flow, we may not be able to pay dividends, service our debt or pay our expenses, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to a double tax treaty between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong tax resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. However, according to a Circular of the PRC State Administration of Taxation dated 27 October 2009, tax treaty benefits will be denied to "conduit" or shell companies who are not a "beneficial owner" of the dividend and who do not carry out substantive business activities in HK. As a result of such limitations and the time required for confirming the withholding tax rate applicable to us, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy our obligations under the Subsidiary Guarantees, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, in practice, the market interest rate that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholders' loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong tax resident, subject to the same limitations described above with respect to dividends) withholding tax on our behalf on the interest paid under any shareholders' loans. PRC regulations require our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries to be registered with the SAFE. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with the SAFE, as well as any other documents that the SAFE or its local branch may require.

Furthermore, in accordance with PRC laws, any PRC resident who makes, or has previously made, direct or indirect investments in offshore companies, is required to register, and provide updates with respect to, such investments with the local branch of SAFE. The failure or inability of the Group's PRC resident shareholders to make any required SAFE registrations may subject such shareholder to fines and other legal sanctions and may also limit our ability to contribute additional capital into or provide loans to (including using the proceeds from the Offering) our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital, pay dividends or otherwise distribute profits to our Group, or otherwise materially and adversely affect the operations of our Group. As a result of the foregoing, no assurance can be given that we or the Subsidiary Guarantors will have sufficient cash flow from dividends or repayment of intercompany loans or advances to satisfy our obligations under the Notes or the obligations under the Subsidiary Guarantees.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees.

We may be deemed a PRC resident enterprise under the PRC EIT Law and may be subject to PRC taxation on our worldwide income, and interest payable by us to our foreign investors and gains on the sale of Notes may become subject to taxes under the current PRC tax laws

Under the current the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "PRC EIT Law"), an enterprise established outside of the PRC with "de facto management bodies" within the PRC may be considered a resident enterprise and will normally be subject to enterprise income tax at the rate of 25% of its global income. The Implementation Rules for the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施 條例》) (the "Implementation Rules for the PRC EIT Law") provide that the term "de facto management bodies" refers to management bodies that substantially carry out comprehensive management and control of operations, personnel, finance and assets of the enterprise. In April 2009, the PRC State Administration of Taxation (國家稅務總局) promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders that are PRC enterprises. However, there have been no official implementation rules regarding the determination of "de facto management bodies" for enterprises that are not controlled by PRC enterprises, such as companies like us. Most of our directors and senior management are currently based inside China. The above elements may be relevant for the tax authorities to determine whether we are a PRC resident enterprise for tax purposes. However, there is no clear standard published by the tax authorities for making such determination.

It is unclear under the PRC tax law whether we have a "de facto management body" located in China for the PRC tax purposes. Our Company takes the position that we are not a PRC resident enterprise for tax purposes because we are of the view that the effective management and control of our Group is situated outside of the

PRC. However, there can be no assurance that the tax authorities will agree with our position. If our Company is deemed a PRC resident enterprise for tax purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our global income.

Under the PRC EIT Law and the Implementation Rules for the PRC EIT Law, withholding of PRC income tax at the rate of 10% (or lower treaty rate) is applicable to interest payable to investors that are "non-resident enterprises" to the extent such interest has its source within the PRC. Similarly, any gain realized on the transfer of notes by such investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC "resident enterprise", it is unclear whether the interest we pay with respect to the Notes, or the gain you may realize from the transfer of the Notes, would be treated as income derived from sources within the PRC and be subject to the PRC taxation. If we are required under the PRC EIT Law to withhold PRC income tax on interest payable to the foreign holders of the Notes, or if you are required to pay PRC income tax on the transfer of your Notes, the value of your investment in the Notes may be materially and adversely affected.

The PRC regulation of direct investment and loans by offshore holding companies to the PRC entities may delay or limit us from using the proceeds of the Offering to make additional capital contributions or loans to our PRC subsidiaries

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the proceeds of the Offering, are subject to the PRC regulations. For example, loans to each of our PRC subsidiaries which is a foreign invested enterprise, cannot exceed the difference between the total amount of investment it is approved to make under the relevant PRC laws and its registered capital, and must be registered with the local branch of the SAFE as a procedural matter. In addition, our capital contributions to each of our PRC subsidiaries must be approved by the Ministry of Commerce of the PRC or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect their liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

Risks related to the offering and the Notes

United States securities laws restrict the circumstances under which you can transfer the Notes.

We are offering the Notes in reliance upon exemptions from registration under the U.S. Securities Act and applicable state securities laws. Therefore, the Notes may be transferred or resold only in transactions registered under, exempt from or not subject to the registration requirements of the U.S. Securities Act and all applicable state securities laws. In addition, transfer restrictions with respect to the Notes which relate to exceptions provided for under the U.S. Investment Company Act of 1940, as amended, prohibit transfer except as provided by the transfer restrictions under "Plan of Distribution" and "Transfer Restrictions." You should read the discussions under "Plan of Distribution" and "Transfer Restrictions" for further information about these and other transfer restrictions. It is your obligation to ensure that your offers and sales of Notes comply with applicable law.

We cannot assure you that an active trading market will develop for the Notes in which case your ability to sell the Notes will be limited.

The Notes will be new securities for which there is no market. We cannot assure you as to:

- the liquidity of any market that may develop for the Notes;
- our ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, the prices of our shares and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. Fluctuation in the prices of our Shares may also affect the liquidity of the Notes. Certain of our Shareholders undertook not to transfer any interest in their Shares acquired pursuant to the conversion of their Convertible Bonds and/or Preference Shares for a six-month lock-up period after the IPO. Such lock-up period will expire in April 2011 and, upon expiration of such lock-up period, those Shareholders are free to transfer and trade their Shares. If a significant number of Shares are transferred and traded, such transfer and trading may create certain selling pressure of our Shares and affect the prices of our Shares. In such case, it may affect other investors' interest in investing in the Notes and subsequently affect the prices and liquidity of the Notes. The initial purchasers of the Notes have advised us that they currently intend to make a market in the Notes. However, the initial purchasers are not obliged to do so, and they may discontinue any market making activities at any time without notice. As a result, there is no assurance that an active trading market will develop for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

Although we have received approval in-principle for the listing and quotation of the Notes on the Official List of the SGX-ST, we cannot assure you that the Notes will become or remain listed, or that if listed, a liquid market would develop. If we can no longer maintain the listing on the SGX-ST or it becomes unduly burdensome to make or maintain such listing, we may cease to make or maintain such listing on the SGX-ST, provided that we will use reasonable best efforts to obtain and maintain the listing of the Notes on another stock exchange in accordance with the Indenture, although there can be no assurance that we will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the SGX-ST or another recognized listing in accordance with the Indenture, failure to be approved for listing or the delisting of the Notes from the SGX-ST or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

The Company is a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of the Company's subsidiaries.

The Company is primarily a holding company that operates through its PRC subsidiaries. The Notes are guaranteed by the Subsidiary Guarantors, which are also primarily holding companies that do not have significant operations or assets. The Notes will not be guaranteed by any current or future PRC subsidiaries. As a result, (i) the obligations of the Company under the Notes and the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees will be effectively subordinated to all existing and future obligations of the existing or future PRC subsidiaries and (ii) all claims of creditors of the existing or future PRC subsidiaries, such as trade creditors and lenders, and rights of holders of preferred shares of such entities (if any) will have priority as to the assets of such entities over the claims of the Company or the claims of the Subsidiary Guarantors and those of the Company's creditors or the creditors of the Subsidiary Guarantors, including the holders of the Notes. The Company and its subsidiaries may incur significant additional secured or unsecured indebtedness in the future subject to the terms of the Notes. The secured creditors of the Company or those of any Subsidiary Guarantor would have priority as to the assets of the Company or those of the Subsidiary Guarantors securing the related obligations over claims of the holders of the Notes in relation to the Notes. As of 31 December 2010, the Company's PRC subsidiaries had indebtedness to third parties and related parties in an aggregate amount of approximately HKD1,013.3 million and capital commitments of HKD540.8 million.

Because our PRC subsidiaries may only pay dividends after completion of a financial year, we may not have sufficient funds available to pay amounts due under the Notes.

We currently conduct, and expect to continue to conduct, our operations through our PRC subsidiaries. Our PRC subsidiaries usually declare and distribute dividends after completion of a financial year. As a result, we can give no assurance that our PRC subsidiaries will be able to make dividend payments in time to allow us to make interest and principal payments due and payable under the Notes.

We may incur substantial indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.

Subject to the Indenture, we may from time to time incur substantial indebtedness and contingent liabilities. If we or our subsidiaries incur a substantial amount of debt, this could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Notes;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. There is no assurance that we will be able to generate sufficient cash flow to service the Notes or any other indebtedness. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the covenant requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Such restrictions in the Indenture may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

Under PRC regulations, we may not be able to transfer to our PRC subsidiaries proceeds from this offering in the form of a loan, which could impair our ability to make timely payments of interest, or even principal, under the Notes.

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in the PRC, such as our PRC subsidiaries established as foreign-invested enterprises in the PRC, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. Without having the flexibility to transfer funds to our PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes, or on the maturity date to pay the principal of the outstanding Notes.

We may not be able to repurchase the notes upon a change of control triggering event.

We must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See the section entitled "Description of the Notes".

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes would constitute an Event of Default under the Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indenture also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of our assets may be uncertain.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Indenture, there could be a default under the terms of these agreements or the Indenture, which could cause repayment of our debt to be accelerated.

The Indenture includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

If we are unable to comply with the restrictions and covenants in the Indenture or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. In addition, covenants could limit our ability to plan for or react to market conditions or to meet capital needs. The ability of the Company and the Restricted Subsidiaries to comply with these covenants may be affected by events beyond their control, and the Company and the Restricted Subsidiaries may have to curtail some of their operations and growth plans to maintain compliance. Furthermore, the Indenture contains cross-acceleration or cross-default provisions. As a result, our default under a debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

The liquidity and price of the notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. We cannot assure you that these developments will not occur in the future.

The ratings assigned to the notes may be lowered or withdrawn in the future.

The Notes are expected to be assigned a rating of "BB-" by Standard and Poor's Rating Services, "BB" by Fitch Ratings and "B1" by Moody's Investor Service. The ratings reflect the opinions of the rating agencies regarding our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. No assurances can be given that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

Certain facts and statistics contained in this Offering Memorandum have come from official government sources or other industry publications, the reliability of which cannot be assumed or assured.

Certain facts and statistics in this Offering Memorandum related to the PRC, its economy and the industries in which we operate are derived directly or indirectly from official government sources generally believed to be reliable. While we have taken reasonable care to reproduce such information, we cannot guarantee the quality and reliability of such source material. These facts and statistics have not been independently verified by us, the initial purchasers or any of our or their respective affiliates or advisors or any other parties involved in this offering of the Notes and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this Offering Memorandum may be inaccurate and the statistics may not be comparable to statistics produced for other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree or accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on all such facts and statistics.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries.

We will be subject to reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as the US or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC based on US or other foreign laws against us or our management.

We conduct most part of our operations in the PRC and most part of our assets are located in the PRC. In addition, all of our Directors and executive officers reside within the PRC or Hong Kong. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or some of our directors and senior executive officers, including with respect to matters arising under US federal securities laws or applicable state securities laws.

The PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts. In addition, there is doubt as to (i) whether a judgment of a United States court based solely upon the civil liability provisions of the United States federal securities laws would be enforceable in the BVI against us or our directors and officer; and (ii) whether an original action could be brought in the BVI against us or our directors and officers to enforce liabilities based solely upon the United States federal securities laws. Therefore, it may be difficult for you to enforce judgments obtained in United States courts against us or our directors and officers based upon the civil liability provisions of the United States federal securities regulations.

Your rights as a creditor may not be the same under the insolvency laws in the BVI, Hong Kong, Singapore or Australia as under US or other insolvency laws.

We are incorporated under the laws of the BVI. The insolvency laws of the BVI are likely to differ from those of the United States or another jurisdiction with which you may be familiar. In the event that we experience financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. In addition, the Subsidiary Guarantors are incorporated in the BVI, Hong Kong, Singapore or Australia and the insolvency laws of these jurisdictions may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

You may be unable to recover in civil proceedings for US securities laws violations.

We are a company with limited liability incorporated under BVI law, and substantially all of our assets are located outside the United States. In addition, a majority of our directors and executive officers reside outside the United States, and a substantial portion of their assets is located outside of the United States. As a result, it may be difficult for you to effect service of process within the United States upon our directors or executive officers, or enforce judgments obtained in the United States courts against our directors or executive officers.

Our counsel as to BVI Law, has advised that that the United States and the BVI do not have a treaty providing for reciprocal recognition and enforcement of judgments of courts of the United States in civil and commercial matters and that a final judgment for the payment of money rendered by any general or state court in the United States based on civil liability, whether or not predicated solely upon the US federal securities laws, would not be automatically enforceable in the BVI. Our counsel has further advised us that a final and conclusive judgment obtained in the federal or state courts of the United States under which a sum of money is payable as compensatory damages (i.e., not being a sum claimed by a revenue authority for taxes or other charges of a similar nature by a governmental authority, or in respect of a fine or penalty or multiple or punitive damages) may be treated by the BVI courts as a cause of action in itself so that no retrial of the issues would be necessary provided that (a) such federal or state courts of the United States had jurisdiction in the matter, (b) such judgment was not obtained by fraud, (c) recognition or enforcement of the judgment in BVI would not be contrary to public policy and (d) the proceedings pursuant to which the judgment was obtained were not contrary to natural justice.

In addition, under federal bankruptcy law in the United States, courts typically have jurisdiction over a debtor's property, wherever located, including property situated in other countries. However, courts outside of the United States may not recognize the United States bankruptcy court's jurisdiction. Accordingly, difficulties may arise in administering a United States bankruptcy case involving a BVI, Hong Kong, Australian or Singaporean debtor with property located outside of the United States, and any orders or judgments obtained in the United States may not be enforceable outside of the United States.

As a result, it may not be possible for investors to effect service of process within the United States upon us or our respective directors and executive officers, to enforce any orders or judgments obtained in U.S. courts predicated upon civil liability provisions of the US securities laws or the U.S. federal bankruptcy law. In addition, we cannot assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in the BVI, Hong Kong, Singapore or Australia. See "Enforcement of Civil Liabilities".

Risks Related to the Subsidiary Guarantees and the Collateral

Certain of the initial Subsidiary Guarantors do not currently have significant operations.

None of the Company's current PRC subsidiaries or Winsway Coking Coal Macao will provide a Subsidiary Guarantee upon issuance of the Notes. Moreover, no future subsidiaries that may be organized under the laws of the PRC will provide a Subsidiary Guarantee at any time in the future. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of such Non-Guarantor Subsidiaries. In addition, the Collateral will not include the capital stock of the Company's existing or future PRC subsidiaries or any subsidiary that is owned directly by a PRC subsidiary.

Certain of the initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. The Company cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors in the future would have the funds necessary to satisfy the Company's financial obligations under the Notes if the Company is unable to do so.

The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency laws in the BVI or bankruptcy law, fraudulent transfer laws, insolvency or unfair preference or similar laws in Hong Kong, Singapore, Australia or other jurisdictions where future Subsidiary Guarantors may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee, or when it gave its guarantee:

With respect to Subsidiary Guarantors incorporated in BVI:

i. incurred such indebtedness with the intent to defraud creditors (whenever the transaction took place, and irrespective of insolvency);

ii. put the beneficiary of the guarantee in a position which, in the event of the Subsidiary Guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given; or

iii. received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the Subsidiary Guarantor.

In the case of (ii) and (iii), a guarantee would only be voidable if it was entered into at a time when the Subsidiary Guarantor was insolvent, or if it became insolvent as a consequence of doing so. Insolvent in this context under BVI law meant that the Subsidiary Guarantor is unable to pay its debts as they fall due or the value of the Subsidiary Guarantor's liabilities exceeds its assets. Additionally, a guarantee will only be vulnerable if it is given within the 6 month period preceding the commencement of liquidation, or, if the guarantee and beneficiary are connected entities, within two years.

With respect to any Subsidiary Guarantor incorporated in other jurisdictions:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of such incurrence of guarantee;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital;

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature;

- the giving of the guarantee was not for the benefit of the Subsidiary Guarantor; or

- a reasonable person in the position of the Subsidiary Guarantor would not have given the guarantee having regard to all the circumstances.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the jurisdiction which are being applied. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debt as it became absolute and matured. We cannot assure you that such limitation will be effective in preserving the enforceability of any of the Subsidiary Guarantees. In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantors. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration, and, as a result, such guarantee would be rendered void.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantors. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voided a Subsidiary Guarantee, subordinated such guarantee to other indebtedness of the Subsidiary Guarantor, or held the Subsidiary Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor, and would solely be creditors of us and any Subsidiary Guarantor whose guarantee was not voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

The value of the Collateral will likely not be sufficient to satisfy the Company's obligations under the Notes.

The Collateral will consist only of the capital stock of the initial Subsidiary Guarantors. In addition, the security interest in respect of certain Collateral may be released upon the disposition of such Collateral, and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional Collateral.

The ability of the Collateral Agent, on behalf of the holders of the Notes, to foreclose on such Collateral upon the occurrence of an Event of Default or otherwise will be subject in certain instances to perfection and priority issues. Although procedures will be undertaken to support the validity and enforceability of the security interests, the Company cannot assure you that the Collateral Agent or holders of the Notes will be able to enforce the security interest.

The value of the Collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Collateral have been prepared by or on behalf of the Company in connection with the Offering. Accordingly, the Company cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. By their nature, some or all of the Collateral, in particular, the capital stock of the existing or any future Subsidiary Guarantor, may be illiquid and may have no readily ascertainable market value. Likewise, the Company cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Indenture will permit, under certain circumstances, the Company and Restricted Subsidiaries to also incur additional debt secured by the Collateral as long as it is equally and rateably secured with the Notes. If the proceeds of the sale of the Collateral were insufficient to repay the amounts due under the Notes and any additional secured debt, holders of the Notes would have only an unsecured claim against the remaining assets of the Company and the remaining assets of the Subsidiary Guarantors.

Security over the Collateral will not be granted directly to the holders of the Notes, and the Collateral will generally be shared with creditors under certain other financings.

Security over the Collateral for the obligations of the Company under the Notes and the Indenture will not be granted directly to the holders of the Notes but will be granted only in favor of the Collateral Agent on behalf of the Trustee. As a consequence, holders of the Notes will not have direct security and will not be entitled to take enforcement action in respect of the security for the Notes, except through the Collateral Agent, which has agreed to apply any proceeds of enforcement on such security towards such obligations. The Indenture also permits us to enter into certain future financings, and creditors under those future financings may share the Collateral pari passu with the holders of the Notes. See "Description of the Notes—Security— Permitted Pari Passu Secured Indebtedness" for a further discussion of the sharing of the Collateral with future financings. If creditors under future financings opt to share the Collateral under the Intercreditor Agreement, a smaller portion of the proceeds from the Collateral will be available to satisfy the claims of the holders of the Notes, which could have a material adverse effect on their ability to recover sufficient proceeds to satisfy their claims under the Notes.

Any Intercreditor Agreement entered into pursuant to the Indenture may limit the rights of the holders of the Notes to enforce the Collateral

The Indenture contemplates entry into an Intercreditor Agreement by the Company, the Subsidiary Guarantor Pledgors, the Collateral Agent, the Trustee and holders (or their representative or agent) of any

Permitted Pari Passu Secured Indebtedness upon the incurrence of any Permitted Pari Passu Secured Indebtedness after the Notes are issued. The ability of holders of the Notes to enforce the Collateral will be restricted under the Intercreditor Agreement, as only the Collateral Agent will be permitted to take enforcement actions. If an event of default occurs under the Notes, the holders of the Notes holding 25% of the outstanding amount of the Notes and holders (or their representative or agent) of any Permitted Pari Passu Secured Indebtedness must decide whether to take any enforcement action and thereafter, may instruct the Collateral Agent to take such enforcement action. Enforcement actions may be taken in respect of the Collateral that may be adverse to you. In the event that there is any disagreement or conflict among instructions from the secured parties, the instruction from holders of a majority of the outstanding principal amount of indebtedness secured by the Collateral will prevail or if no such instruction is given to the Collateral Agent, the Collateral Agent may in its discretion refuse to take any action, either of which may be inconsistent with the instruction from the Trustee or in your interest. In such event, the only remedy available to holders of the Notes would be to sue for payment on the Notes, the Subsidiary Guarantees and the Collateral. For a description on the Intercreditor Agreement, see "Description of the Notes— Security—Intercreditor Agreement".

The pledge of certain Collateral may in some circumstances be voidable.

The pledge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, Australia and the British Virgin Islands at any time within six months of the creation of the pledge or, under some circumstances, within a longer period. Pledges of shares of future Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under "Risk Factors—Risks Related to the Subsidiary Guarantees and the Collateral—The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees".

If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us.

USE OF PROCEEDS

We estimate that the net proceeds from the offering, after deducting the underwriting discount and commission and other estimated expense payable in connection with the offering, will be approximately USD488.0 million, which we presently plan to use as follows:

(1) approximately 60% of the net proceeds to finance our investments in our subsidiaries, joint ventures and/or in entities which may not be Restricted Subsidiaries to purchase rolling stock and other transportation-related vehicles and invest in railway-related infrastructure for the purpose of increasing our transportation capacity. Please refer to sections headed "Summary—Our Business Strategies—Further securing Chinese domestic railway track capacity by becoming a strategic partner with Chinese railway bureau to invest in rail cars, railways and railway-related infrastructure", "Risk Factors—Risks Related to Our Business and Our Industry" and "Our Business—Transportation—Investment in rolling stock and other transportation-related vehicles" in this Offering Memorandum for more details;

(2) approximately 25% of the net proceeds to finance investments in upstream resources through new acquisitions and/or joint venture projects (which in each case may involve investments in entities which are not Restricted Subsidiaries) and otherwise to secure upstream resources; and

(3) approximately 15% of the net proceeds for working capital and our other general corporate purposes.

We may adjust the forgoing plans in response to changing market conditions, circumstances such as a failure to obtain requisite approvals, changes in government policies and other factors and, in these situations, we may reallocate the use of proceeds. Pending application of the net proceeds of the Offering, we intend to invest such net proceeds in "Temporary Cash Investments" as defined under "Description of the Notes".

EXCHANGE RATE INFORMATION

China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply of and demand for Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and US dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to US dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration for Foreign Exchange and other relevant authorities. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2.0% against the US dollar. Since then, the PRC Government has made and may make further adjustments to the exchange rate system in the future. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day.

The following table sets forth (1) the Noon Buying Rate for US dollars in New York City for cable transfers payable in Renminbi for and as of the period ends indicated through 31 December 2010 and (2) the Noon Buying Rate set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends indicated from and after 1 January 2011:

	Noon Buying Rate			
Period	**Period end**	**Average(1)**	**Low**	**High**
	(RMB per US$1.00)			
2004	8.2765	8.2768	8.2764	8.2774
2005	8.0702	8.1940	8.0702	8.2765
2006	7.8041	7.9723	7.8041	8.0702
2007	7.2946	7.6058	7.2946	7.8127
2008	6.8225	6.9477	6.7800	7.2946
2009	6.8259	6.8295	6.8176	6.8470
2010	6.6000	6.7696	6.6000	6.8330
2011				
January	6.6017	6.5964	6.5809	6.6364
February	6.5749	6.5764	6.5520	6.5965
March (through 18th)	6.5689	6.5690	6.5540	6.5743

Note:
(1) Annual averages have been calculated from month-end rates. Monthly averages have been calculated using the average of the daily rates during the relevant period.

Hong Kong

Under existing Hong Kong law, there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of dividend payments to US residents and there are no limitations on the rights of non-residents or foreign owners to hold the Notes offered in the Offering. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The Hong Kong dollar is freely convertible into other currencies, including the US dollar. Since 17 October 1983, the Hong Kong dollar has been pegged to the US dollar at the rate of HK$7.80 to US$1.00. The central element in the arrangements which gave effect to the peg is that by agreement between the Hong Kong government and the three Hong Kong banknote issuing banks (i.e., The Hong Kong and Shanghai Banking Corporation Limited, Standard Chartered Bank and the Bank of China), certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issues, are issued and redeemed only against payment in US dollars, at the fixed exchange rate of HK$7.80 to US$1.00. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent US dollars at the fixed rate.

The market exchange rate of the HK dollar against the US dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK$7.80 to US$1.00 since the peg was first established. The Hong Kong government has stated its intention to maintain the link at that rate, and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law, the HK dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the HK dollar will remain freely convertible into other currencies, including the US dollar. However, no assurance can be given that the Hong Kong government will maintain the link at HK$7.80 to US$1.00, or at all.

The following table sets forth (1) the Noon Buying Rate for US dollars in New York City for cable transfers payable in HK dollars for and as of the period ends indicated through 31 December 2010 and (2) the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends indicated from and after 1 January 2011:

	Noon Buying Rate			
Period	**Period end**	**Average**(1)	**Low**	**High**
	(HKD per US$1.00)			
2004	7.7723	7.7891	7.7632	7.8010
2005	7.7755	7.7775	7.7523	7.7999
2006	7.7771	7.7681	7.7506	7.7928
2007	7.7984	7.8016	7.7497	7.8289
2008	7.7499	7.7862	7.7497	7.8159
2009	7.7536	7.7513	7.7495	7.7618
2010	7.7810	7.7687	7.7501	7.8040
2011				
January	7.7926	7.7803	7.7683	7.7978
February	7.7933	7.7896	7.7823	7.7957
March (through 18th)	7.7999	7.7912	7.7858	7.8012

Note:
(1) Annual averages have been calculated from month-end rates. Monthly averages have been calculated using the average of the daily rates during the relevant period.

CAPITALIZATION

The following table sets forth our consolidated borrowings and capitalization as of 31 December 2010:

- on an actual basis; and
- as adjusted to give effect to the issuance of the Notes.

This table should be read in conjunction with "Use of Proceeds," the "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this Offering Memorandum. Except as otherwise disclosed in this Offering Memorandum, there has been no material adverse change in our capitalization since 31 December 2010.

	As of 31 December 2010			
	Actual		As adjusted	
	HKD	USD	HKD	USD
	(in millions)			
Short-term borrowings(1) (3) (4)				
Secured borrowings repayable within one year	1,010.1	129.8	1,010.1	129.8
Unsecured borrowings repayable within one year	-			
Total short-term borrowings	1,010.1	129.8	1,010.1	129.8
Long-term borrowings(2) (3)				
Secured	62.6	8.0	62.6	8.0
Unsecured	-	-	-	-
Notes offered hereby(4)	-	-	3,890.5	500.0
Total long-term borrowings	62.6	8.0	3,953.1	508.0
Total borrowings	1,072.7	137.8	4,963.2	637.8
Capital and reserves				
Total share capital and reserves attributable to our shareholders	6,468.8	831.4	6,468.8	831.4
Total capitalization(5)	6,531.4	839.4	10,421.9	1,339.4

(1) Short-term borrowings include the current portion of long-term bank borrowings.
(2) Long-term borrowings exclude the current portion of long-term bank borrowings.
(3) Our borrowings do not include any accrual for contracted capital commitments, which was approximately HKD 540.8 million as of 31 December 2010.
(4) The aggregate principal amount of the Notes to be issued has not taken into account the effect of transaction costs and expenses.
(5) Total capitalization represents total non-current borrowings plus total share capital and reserves attributable to our shareholders.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The selected consolidated financial data (other than US dollar amounts, which are provided for convenience only) as of and for the years ended 31 December 2008, 2009 and 2010 has been derived from our consolidated financial statements that have been audited by KPMG.

Selected Consolidated Income Statement Information

	Year ended 31 December			
	2008	**2009**	**2010**	**2010**
	HKD '000	**HKD '000**	**HKD '000**	**USD '000**
Continuing operations				
Turnover	1,113,858	5,283,216	9,271,665	1,191,578
Cost of sales	(619,786)	(4,322,158)	(7,154,115)	(919,434)
Gross profit	494,072	961,058	2,117,550	272,144
Other revenue	6,913	8,902	25,972	3,338
Distributing costs	(122,825)	(268,945)	(471,487)	(60,595)
Administrative expenses	(69,817)	(103,974)	(358,533)	(46,078)
Other operating expenses, net	(11,224)	(730)	(11,166)	(1,435)
Profit from operating activities	297,119	596,311	1,302,336	167,374
Finance income	5,023	7,041	65,825	8,460
Finance costs	(3,734)	(42,034)	(179,928)	(23,124)
Net finance income/(costs)	1,289	(34,993)	(114,103)	(14,664)
Share of losses of jointly controlled entity	-	-	(8,080)	(1,039)
Profit before taxation	298,408	561,318	1,180,153	151,671
Income tax	11,927	(70,367)	(251,390)	(32,308)
Profit from continuing operations	310,335	490,951	928,763	119,363
Profit attributable to:				
Equity shareholders of our Company	274,228	515,255	928,826	119,371
Non-controlling interests	(1,048)	-	(63)	(8)
Profit for the year:	273,180	515,255	928,763	119,363

Selected Consolidated Statement of Financial Position Information

	As at 31 December			
	2008	2009	2010	2010
	HKD '000	HKD '000	HKD '000	USD '000
ASSETS				
Current assets	1,173,872	3,950,515	7,661,921	984,696
Non-current assets	424,210	547,797	1,461,099	187,778
Total assets	1,598,082	4,498,312	9,123,020	1,172,474
LIABILITIES				
Current liabilities	989,490	3,354,203	2,418,185	310,781
Non-current liabilities	2,148	-	159,966	20,559
Total liabilities	991,638	3,354,203	2,578,151	331,340
Total equity	606,444	1,144,109	6,544,869	841,134
Total liabilities and equity	1,598,082	4,498,312	9,123,020	1,172,475

Selected Cash Flow Information

	For the year ended 31 December			
	2008	2009	2010	2010
	HKD '000	HKD '000	HKD '000	USD '000
Net Cash generated from/(used in) operating activities	141,870	(352,623)	47,392	6,091
Net Cash used in investing activities	(585,425)	(647,260)	(1,056,369)	(135,763)
Net Cash generated from financing activities	511,495	1,164,500	3,568,917	458,671

Unaudited Other Financial Data

	For the year ended 31 December			
	2008	2009	2010	2010
	HKD	HKD	HKD	USD
	(in thousands, except for percentages and ratios)			
EBITDA[(1)]	287,674	682,678	1,352,861	173,867
EBITDA margin[(2)]	25.8%	12.9%	14.6%	
Total debt/EBITDA[(3)]	2.4x	2.3x	0.8x	
EBITDA/Gross interest expense[(4)]	11.0x	13.6x	7.5x	

[(1)] EBITDA for any period consists of profit for the year before net finance costs, amortization of intangible assets, amortization of lease prepayments, income tax expense and depreciation. We have included EBITDA data because such data is commonly used by investors to measure a company's ability to service debt. EBITDA is not, and should not be used as, an indicator or alternative to profit from operating activities, profit for the year or cash flow as reflected in our consolidated financial statements, is not intended to represent funds available for debt service, dividends or other discretionary uses, is not a measure of financial performance under IFRSs and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRSs. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that the EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

[(2)] EBITDA margin is calculated by dividing EBITDA by turnover.

[(3)] Total debt consists of secured bank and other loans (both current and non-current).

[(4)] Gross interest expense is calculated using the finance costs amounts in consolidated income statement. Finance costs in 2010 included interest expense of HKD100.6 million resulting from the accounting treatment of the interest on liability component of Convertible Bonds and Preference Shares. As at 31 December 2010, all the holders of the Convertible Bonds and Preference Shares had exercised their respective conversion right under the Convertible Bonds or Preference Shares and the conversion took place on 24 September 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with our consolidated financial statements for the three years ended 31 December 2010 ("Financial Information") prepared in conformity with IFRSs, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, together with the accompanying notes, set forth in the audited consolidated financial statements included in this Offering Memorandum. You should read the whole of the audited consolidated financial statements included in this Offering Memorandum and not rely merely on the information contained in this section.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results reported in future periods could differ materially from those discussed below. Factors that could cause or contribute to such differences include those discussed in the sections headed "Risk Factors" and "Business" and elsewhere in this Offering Memorandum.

For the purpose of this section, unless the context otherwise requires, references to 2008, 2009 and 2010 refer to our financial year ended 31 December of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

Overview

We are an integrated supplier of imported coking coal to China and provide services to our suppliers and customers through our integrated platform comprising logistics parks, coal processing plants, and road and railway transportation capacities. In 2010, we procured approximately 9.6 mt of coal produced outside China and we believe we have established ourselves as one of the leading suppliers in China of imported coking coal.

We procured approximately 1.3 mt, 3.8 mt and 6.5 mt of Mongolian coal in 2008, 2009 and 2010, respectively. We believe our procurement represented a significant portion of Mongolian coal exported into China during such period, and we are a leading offtaker of Mongolian coal.

We believe we are one of the pioneers in the large-scale transportation of Mongolian coking coal into China, and also one of the few companies which have made substantial investments in logistics and transportation infrastructure at several key Sino-Mongolian border crossings and have access to a transportation network through arrangements with third parties on both sides of the border. We also believe we are one of the few companies which have built an integrated coking coal supply business model to supply Mongolian coking coal into China, which is distinguishable through the considerable scale and profitability we have achieved.

The following table sets out our turnover and profit attributable to equity shareholders of our Company for each of 2008, 2009 and 2010, respectively.

	Years ended 31 December			
	2008	**2009**	**2010**	**2010**
	HKD'000	**HKD'000**	**HKD'000**	**USD'000**
Turnover	1,113,858	5,283,216	9,271,665	1,191,578
Gross profit	494,072	961,058	2,117,550	272,144
Profit attributable to equity shareholders of our Company	274,228	515,255	928,826	119,371

We have financed our operations primarily through contributions from Shareholders, advances from our Shareholders and other related parties, bank and other loans, proceeds from the issuance of the Convertible Bonds and the Preference Shares as well as the IPO and internally generated cash flow. We typically follow a financing model under which our start-up cost is mainly financed by contributions and advances from our Shareholders and investors. Our general working capital is mainly financed through bank facilities, trade credits and internally generated cash flow.

- **Contributions from Shareholders**. We have relied to a certain extent on capital contributions from our Shareholders to finance our start-up cost and other costs in respect of infrastructure and our facilities, such as coal processing plants and logistics parks.

- **Advances from Shareholders and other related parties**. In the past, we have also relied to a certain extent on advances from our Shareholders and other related parties to finance our capital expenditure and expansion plans. Such advances were accounted as amounts due to related parties in our consolidated statement of financial position. We confirm that all outstanding balances with Shareholders and other related parties were settled in 2010.

- **Bank and other loans**. As at 31 December 2010, we had total bank and other borrowings of HKD1,072.7 million. We have obtained bank facilities and trade credits and general bank and other borrowings to finance our operation. As at 31 December 2010, our bank and other loans are secured by our fixed deposits placed in banks with an aggregate carrying value of HKD261.6 million, HKD182.7 million of coking coal inventories with an aggregate carrying value and pledged trade and bills receivables with an aggregate carrying value of HKD575.5 million. We usually repay such borrowings using new bank and other borrowings and internally generated cash flow. For further details please refer to the section headed "Description of other material indebtedness" in this Offering Memorandum.

- **Proceeds from the issuance of the Convertible Bonds and the Preference Shares**. With a view to obtaining additional capital to fund our operations, infrastructure and coal processing facilities construction, we and the Controlling Shareholders entered into a subscription agreements with a number of investors, namely HOPU, China Minmetals Corporation, Silver Grant and ITOCHU, in March and April 2010, pursuant to which the investors agreed to subscribe for the Convertible Bonds and the Preference Shares amounting to an aggregate of US$120.0 million. For further details please refer to the sections 24 and 25 of the audited consolidated financial statements included as Appendix 1 to this Offering Memorandum.

- **Proceeds from the IPO**. The Company issued 990,000,000 Shares at the IPO and, after deducting the underwriters' fees and commissions and related expenses, we received net proceeds of approximately HKD3.55 billion from the IPO. We have used part of the proceeds to fund some of our new projects and the acquisition of 50% equity interest in Peabody-Winsway JV and we plan to further use the proceeds to fund our investment in new infrastructure, including logistic parks, railway logistic centres, docking facilitates, railways and coal processing facilities, our acquisition of upstream coal resources and our working capital.

- **Internally generated cash flow**. In addition to the financing mentioned above, our daily operations are also funded by our internally generated cash flow. Our profit attributable to equity shareholders of our Company was HKD274.2 million, HKD515.3 million and HKD928.8 million for each of 2008, 2009 and 2010, respectively.

We funded our expansion by using a combination of sources, including internally generated cash flow, bank and other loans and proceeds from the IPO. As at 31 December 2010, our total contracted capital commitment amounted to HKD540.8 million.

Factors affecting our results of operations

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control, including those set forth below.

Average selling price of our coking coal products

We derive most of our turnover from sales of coking coal. Coal and coal-related products are commodity products, the price of which is subject to supply and demand dynamics and other factors. The coal markets tend to be cyclical and, historically, the PRC coal and coal-related product markets have at times experienced alternating periods of increased demand and resulting price increases, followed by periods of excess supply and resulting price declines.

The average selling price of our coal products was approximately HKD1,179 per tonne in 2010. The average selling prices of our coal products are affected by a number of factors including (i) global and domestic macro economic cycles, (ii) overall supply of raw coal globally and domestically, (iii) overall demand for cleaned and raw coking coal and overall domestic consumption in the PRC, (iv) overall demand of coking coal and performance of downstream industries, such as the steel making industry, (v) demand of our coal products in our target markets or geographical regions and (vi) product characteristics and specifications. The average selling price of our Mongolian coal products is generally less sensitive to price volatility in the global markets than our seaborne coal products. The pricing of our Mongolian coal products has generally tracked market prices of the PRC domestic market, while the pricing of our seaborne coal products has a greater exposure to price volatility in the global markets. Please refer to the section headed "Industry Overview" in this Offering Memorandum for more detailed information on the global, the PRC and Mongolian coking coal market and the coal transportation network and infrastructure.

In addition, by developing our own coal processing facilities and expanding our coal processing capacity to produce cleaned coking coal, we have been able to provide a variety of coal products from both Mongolia and the rest of the world, to suit our customers' needs and specification requirements. As a result, we are able to capture market price premium of cleaned coking coal.

Sales volume

The sales volume of our coking coal increased substantially during the period comprising the three years ended 31 December 2010. The sales volume of our coal products is largely dependent upon the market demand of our products and our ability to meet such demand.

In the three years ended 31 December 2008, 2009 and 2010, we sold an aggregate of approximately, 1.0 tonnes, 5.1 tonnes and 7.8 tonnes of coking coal, respectively. We have sourced raw coking coal primarily from Mongolian miners and seaborne coal from other countries such as Australia, the US, Canada and Russia. We have established long-term commercial relationships and have strategic cooperation arrangements in place with a number of these suppliers and hence are able to secure our coal supplies at a reasonable price. Our strategy to invest in upstream mining assets will also enable us to secure long-term and stable supply of coking coal in order to meet the increasing demand of our customers. Our plan to expand our existing coal processing facilities and to invest in new coal processing plants will also facilitate future growth in our cleaned coking coal production capabilities and sales volume.

Our future growth in sales volume is also dependant on the throughput capacities at the Sino-Mongolian border crossings and at various seaports, as well as our ability to secure sufficient freight capacity on railway and road in a cost efficient manner to transport our coal products to target customers and markets. We have established long-term and exclusive relationship with Moveday in respect of transportation of coal in Mongolia and established relationships with third party transportation companies for transportation of coal in the PRC and have strategically invested, or planned to strategically invest, in railway logistics centres, railways and railway loading stations in the PRC, which will enable us to transport coal from our suppliers and to our customers. Currently, our seaborne coal is usually delivered to Jingtang port, Rizhao port and Caofeidian port, and we expect to include Bayuquan port and Longkou port as part of our procurement platform for our seaborne coal. Upon arrival at the relevant port our seaborne coal will be transported to our customers by road or rail, delivered to our customers at the port, or processed in our facilities before being delivered to our customers, depending on the needs of our customers. For further details on our transportation arrangements, please refer to the section headed "Business—Transportation" in this Offering Memorandum.

Cost of sales

Cost of sales mainly include the cost of coal purchased from our suppliers, coal transportation cost, coal processing costs, depreciation, amortization and maintenance costs of our motor vehicles, machinery, coal processing facilities, logistics park and other infrastructure and other costs.

The following factors have affected and will continue to affect our cost of sales:

- fluctuation in the purchase cost of coal;

- increase in the cost incurred for transporting our coal from the Sino-Mongolian border to our distribution points through road transportation;

- increase in the costs incurred for coal processing, such as staff costs and cost of water, electricity, power and other utilities; and

- increase in depreciation, amortization and maintenance costs of our motor vehicles, machinery, coal processing facilities, logistics park and other infrastructure, due to our additional capital expenditures for the purpose of our business expansion.

Distribution costs

Another important factor that affects our results of operations is our distribution costs. Our distribution costs consist primarily of railway and road transportation costs associated with delivering our coking coal products and other coal related products to our customers. For 2008, 2009 and 2010, we recorded distribution costs of HKD122.8 million, HKD268.9 million and HKD471.5 million, respectively. Road transportation services have primarily been provided by third party transportation companies and our self-owned trucks. We have developed long-term relationship with third party transportation companies, which will enable us to control road transportation charges at a reasonable level. We also rely on the national railway to transport coal to our coal processing plants and customers. The cost of railway transportation through the national railway is relatively stable and tracked national railway prices. During the period comprising the three years ended 31 December 2010, we had not experienced any material transport capacity shortage or delay which affected the sales or delivery of our products.

Our target sales region will also affect our total distribution costs as road and railway transportation costs are charged by third party transportation companies and the national railway based on volume of coal and the distance being transported. During the period comprising the three years ended 31 December 2010, the increase in our distribution costs was principally due to the increase in our sales volume as well as the extension of our sales network from Inner Mongolia to cover other target markets in Hebei, Shanxi, Shandong and other provinces in China's eastern coastal region and southern China.

Our ability to expand our throughput capacities and to secure sufficient freight capacities on the national railway to transport our coal products to target markets will also affect our ability to control and manage our transportation costs. However, any future congestion in the railway system in the PRC or increases in railway transportation unit prices or increases in the transportation costs charged by third party transportation companies or any future restriction imposed by the PRC Government in granting relevant transportation licenses will increase our distribution costs and could adversely affect our results of operations.

Anticipated capital expenditures

We had total contracted commitments for capital expenditures of HKD540.8 million as at 31 December 2010 to construct new infrastructure, including logistics parks with coal transportation and storage facilities and coal processing facilities. We intend to fund the expected capital expenditure with internally generated cash flow, bank and other loans and proceeds from the IPO. Such capital expenditure and its associated increases in amortization and depreciation expenses will increase our cost of sales and could have a significant impact on our future consolidated results of operations.

Critical accounting policies and estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements for 2008, 2009, and 2010, which have been prepared in accordance with IFRSs. The measurement basis used in the preparation of the Financial Information is the historical cost basis. Our reported financial condition and results of operations are sensitive to accounting methods and assumptions and estimates that underlie the preparation of the Financial Information. For more information on the basis of preparation of the Financial Information included herein, see section 2 of the audited consolidated financial statements included as Appendix 1 to this Offering Memorandum.

Critical accounting policies

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 our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

Revenue associated with the sale of coal is recognized when the risks and rewards of ownership of the goods have been passed to the customer. Revenue excludes value added tax and other sales taxes and is after deduction of any trade discounts.

We recognize revenue when the goods are received and accepted at the point of delivery, which generally takes place (i) for goods sold to our overseas customers, when title passes to our customer on shipment; or (ii) for goods sold within the PRC, when the risks and rewards of ownership passes to our customers, which takes place upon receipt of our coal products by our customer or when our coal products leave our warehouse pursuant to relevant terms of the contract of sales.

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

Government grants are recognized when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate our Group for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the assets.

Inventories

Inventories are carried at the lower of cost and net realizable 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 realizable value is 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.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognized in the statement of financial position at cost less impairment losses. The construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

The cost of self-constructed assets includes the cost of materials and direct labor, and 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.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less allowance for impairment of doubtful debts, 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.

Convertible notes

Convertible notes that contain an equity component and can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognized as the liability component is recognized as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortized cost. The interest expense recognized in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognized in the other reserve until either the note is converted or redeemed.

If the note is converted, the other reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital as consideration for the shares issued. If the note is redeemed, the other reserve is released directly to retained earnings.

Preferred shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option and any dividends are discretionary. Dividends on preferred shares classified as equity are recognized as distributions within equity.

Preferred shares are classified as liabilities if they are redeemable on a specific date or at the option of the preferred shareholders of the Company, or if dividend payments are not discretionary. The liabilities are recognized in accordance with our Group's policy for interest-bearing borrowings and accordingly dividends thereon are recognized as interest expense in profit or loss on an accrual basis.

Share-based payments

The fair value of share options granted to employees is recognized 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 Tree option pricing 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 recognized in prior years is charged/credited to the profit or loss for the period 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 recognized 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 recognized 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).

Critical accounting judgments in applying our Group's accounting policies

Our Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. Our Group bases the assumptions and estimates on historical experience and on various other assumptions that our Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, our management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the Financial Information. Our Group believes the following critical accounting policies are among those that involve the most significant judgments and estimates used in the preparation of the Financial Information.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value, if any. Our 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 our 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.

Impairment of assets

If circumstances indicate that the carrying amount of an asset may not be recoverable, this asset may be considered "impaired", and an impairment loss may be recognized 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 our Group's assets are not readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgment relating to the level of sales revenue and amount of operating costs. Our 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.

Income taxes

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

Description of Certain Income Statement Items

Turnover

Turnover represents the sales value of our coking coal products supplied to our customers, net of value added or other sales taxes, and the deduction of any trade discounts.

The following table sets forth our turnover by source for each of 2008, 2009 and 2010, respectively.

	Years ended 31 December			
	2008	**2009**	**2010**	**2010**
	HKD'000	**HKD'000**	**HKD'000**	**USD'000**
Turnover				
Mongolian coal	1,101,960	1,994,845	5,073,434	652,029
Seaborne coal	-	3,215,877	4,155,712	534,085
Others	11,898	72,494	42,519	5,464
Total	1,113,858	5,283,216	9,271,665	1,191,578

As we derive a substantial portion of our total turnover from the sale of coal, our results of operations for a given period are dependent upon the type of coal we sell during that period, as well as the market demand and the average selling price for each type of coal. In addition to our main coal products, Mongolian coal and seaborne coal, we also sold other coal-related by-products such as middlings, waste rock and slime. Our business focus is to supply imported coking coal, primarily Mongolian coal and to be supplemented by coal from other origins. In 2008, our Group commenced the sale of Mongolian cleaned coking coal, which quickly became a significant component of our turnover and accounted for 82.7% of our total turnover in 2008, as we established our Urad Zhongqi coal processing plant in the same year. Based on favorable market conditions in 2009 and as a natural expansion in addition to our supply of imported Mongolian coal to customers in the PRC, we commenced the sale of seaborne coal sourced from countries such as Australia, the US, Canada and Russia, which accounted for 60.9% of our turnover in 2009, with the purpose of meeting our customers' demand for a variety of coking coal for their coke blend. For the year ended 31 December 2010, we sold approximately 4.7 mt of Mongolian coal and approximately 3.1 mt of seaborne coal, an increase of 120.5% and 5.9%, respectively, compared to the year ended 31 December 2009, which contributed to our significant increase in turnover in 2010. Our significant increase in turnover for the year ended 31 December 2010 as compared to that for the year ended 31 December 2009 was mainly due to the significant increase in our total sales volume attributable from (i) our increased coal processing capacity at the Urad Zhongqi coal processing plant from 2.0 mtpa at the beginning of 2009 to 6.0 mtpa as at 31 December 2010, (ii) continued strong demand for coking coal from our customers in China, (iii) our improved ability to offtake and transport more coal from around the world, and (iv) the higher price of our coking coal products which reflected the trend of increasing of global coking coal prices in 2010.

The table below sets forth, for the periods and the type of coal indicated, the total sales volume and the average selling price per tonne for each type of coal, which is calculated by dividing the turnover attributable to the coal sold by type by the total volume of that type sold:

	2008		2009		2010		
	Total sales volume	Average selling price (per tonne)	Total sales volume	Average selling price (per tonne)	Total sales volume	Average selling price (per tonne)	Average selling price (per tonne)
	(Tonnes)	(HKD)	(Tonnes)	(HKD)	(Tonnes)	(HKD)	(USD)
Mongolian Coal	1,008,155	1,093	2,140,892	932	4,720,952	1,075	138
Seaborne Coal	-	-	2,932,937	1,096	3,106,230	1,338	172
Total	1,008,155	1,093	5,073,829	1,027	7,827,182	1,179	152

Our average selling prices slightly decreased 6.0% from HKD1,093 per tonne in 2008 to HKD1,027 per tonne in 2009. Such decrease was mainly attributable to the decrease of our average selling price of Mongolian coal, which decreased 14.7%, from HKD1,093 per tonne in 2008 to HKD932 per tonne in 2009 resulting from the decline of the selling prices of Mongolian cleaned coking coal. However, such decrease was also partially offset by the higher general selling price of seaborne coal, which we started to procure and include in our product line in 2009. Our average selling price increased 14.8% from HKD1,027 per tonne in 2009 to HKD1,179 per tonne in 2010. Such increase was mainly due to an increase of global coking coal prices.

Cost of sales

Cost of sales mainly comprises the costs we incur directly in relation to the processing and sale of coking coal. The principal component of our cost of sales is the cost of coal purchased from our suppliers, cost incurred for transporting our coal from the Sino-Mongolian border to our distribution points through road transportation and rail, coal processing costs which include staff costs and cost of water, electricity, power and other utilities, depreciation, amortization and maintenance costs of our motor vehicles, machinery, coal processing facilities, logistics park and other infrastructure and other costs.

The overall increase in cost of sales over the period comprising the three years ended 31 December 2010 was mainly driven by the increase in sales volume of coal, which led to the increase of cost of coal purchased and transportation cost, and the higher purchase price of seaborne coal, which we first sold in 2009 and which was generally more expensive than Mongolian coal.

The table below sets forth, for the periods and the type of coal indicated, the total cost of sales for each type of coal:

	Years ended 31 December			
	2008	2009	2010	2010
	Total cost of sales (HKD'000)	Total cost of sales (HKD'000)	Total cost of sales (HKD'000)	Total cost of sales (USD'000)
Mongolian Coal	613,046	1,442,399	3,531,665	453,883
Seaborne Coal	-	2,816,690	3,596,204	462,178
Others	6,740	63,069	26,246	3,373
Total cost of sales	619,786	4,322,158	7,154,115	919,434

We recognize the cost of sales of our coal for a given period to the extent that turnover from the sale of coal has been recognized in that period. The components of our cost of sales may change in any given year based on the type of coal we sell to our customers.

Gross profit

As a result of the factors affecting our turnover and cost of sales of Mongolian and seaborne coal as mentioned above and taking into consideration the average selling prices and average cost of sales per tonne for Mongolian and seaborne coal, the gross profit margin for Mongolian coal is generally higher than seaborne coal. The decrease in gross profit margin in 2009 was attributable to the overall decline in global and domestic coal prices, whilst the cost of cleaned coking coal increased and the contribution of seaborne coal, which has a relatively lower margin than Mongolian coal, also increased. The increase in our gross profit margin for the year of 2010 was mainly attributable to the increase in the average selling price of Mongolian coal.

Gross profit from our Mongolian business remained as the major contributor to our total gross profit during the period comprising the three years ended 31 December 2010. The gross profit margin of our Mongolian coal increased from 27.7% in 2009 to 30.4% in 2010 and such increase was mainly due to the increase of coking coal prices in 2010. The gross profit margin of our seaborne coal increased from 12.4% in 2009 to 13.5% in 2010 and such increase was primarily attributable to the higher sales amount of our seaborne coal to our customers in the eastern coastal provinces of China, where the average selling price of coal was generally higher than the selling prices in other regions in China. The table below sets forth the breakdown of gross profit by Mongolian coal, seaborne coal and others for each period during the period comprising the three years ended 31 December 2010.

	Years ended 31 December						
	2008		**2009**		**2010**		
	Gross Profit	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**	**Gross Profit**	**Gross Profit**	**Gross Profit Margin**
	(HKD'000)	**(%)**	**(HKD'000)**	**(%)**	**(HKD'000)**	**(USD'000)**	**(%)**
Mongolian Coal	488,914	44.4	552,446	27.7	1,541,769	198,146	30.4
Seaborne Coal	-	-	399,187	12.4	559,508	71,907	13.5
Others	5,158	43.4	9,425	13.0	16,273	2,091	38.3
Total gross profit	494,072	44.4	961,058	18.2	2,117,550	272,144	22.8

Distribution costs

Distribution costs represent our costs of transporting and delivering our coking coal products and other coal related products to our customers. Distribution costs include primarily railway and road transportation expenses charged by local railway bureau and third-party transportation companies and incurred by our self-owned trucks, which deliver our coal and other coal related products to our customers. It also includes other sundry expenses including loading charges and handling charges paid to agencies incurred in relation to the distribution of our coal products to our customers. We generally bear the costs for delivering products to the locations designated by our customers.

The total distribution costs in 2008 mainly represented the costs for distribution of our Mongolian coal to our customers located near the Sino-Mongolian border crossing or in Inner Mongolia as well as in Hebei and Shanxi provinces. Our distribution cost increased substantially in 2009 and in 2010 principally due to the increase in our sales volume as well as the extension of our sales network from Inner Mongolia to cover other target markets in Hebei, Shanxi, Shandong and other provinces in China's eastern coastal region as well as southern China.

Administrative expenses

Our administrative expenses primarily consists of staff costs for administrative staff, depreciation and amortization of administration related assets, traveling and entertainment expenses, professional expenses, insurance costs and other miscellaneous expenses. For 2010 we also had non-cash accounting expenses with respect to the Pre-IPO Option Scheme as our administrative expenses of HKD71.2 million.

Finance income/(costs)

Our finance income primarily consists of interest income and net foreign exchange gain. Our finance costs primarily consists of interest on bank and other loans and discounted bills, as well as the net foreign exchange loss on such bank and other loans, other borrowings and trade facilities. In addition, for 2010, we had interest expenses of HKD100.6 million resulting from the accounting treatment of the interest on liability component of Convertible Bonds and Preference Shares.

Income tax

Income tax represents provisions for Hong Kong, the PRC, the BVI, Singapore and Australia corporate income tax. No provision for Hong Kong profits tax has been made for the years during the period comprising the three years ended 31 December 2010 as our Group did not generate any assessable profits arising in Hong Kong. Whilst our BVI-incorporated entities contributed to most of our profits, they are not subject to any income tax in the BVI as companies incorporated or registered under the Companies Act are currently exempt from income and corporate tax. Our BVI-incorporated entities mainly engage in the procurement of coal from overseas market for our Group, including the establishment of our procurement plan, identification of optimal suppliers and negotiation of pricing terms; whilst our PRC subsidiaries, based on their respective geographic locations and functions performed, are mainly in charge of importing coal, processing coal and distributing coal to customers. Our PRC subsidiaries are subject to the PRC corporate income tax at the statutory rate of 25%. All of our PRC tax provision is made with respect to assessable profits generated by our PRC subsidiaries and does not relate to our non-PRC entities.

We believe that as the effective management of the BVI-incorporated entities is in the BVI and that purchase contracts are substantially effected in the BVI, our BVI-incorporated entities should not be subject to any significant tax exposure in the BVI, PRC, Macau, Mongolia, Japan, Russia, Canada or the United States. However, there is a risk that part of the profits derived by our BVI-incorporated entities from the purchase and sale of coal may be considered to be sourced in Australia. Please refer to the sections headed "Risk Factors—Risks related to our business and our industry—Our organization and operating structure may subject us to unintended tax liability" and "Risk Factors—Risks Related to Doing Business in the PRC—We may be deemed a PRC resident enterprise under the PRC EIT Law and may be subject to PRC taxation on our worldwide income, and interest payable by us to our foreign investors and gains on the sale of Notes may become subject to taxes under the current PRC tax laws" in this Offering Memorandum for more information.

Taking into consideration that our management has not spent an extended period of time in Australia for our coal procurement activities during the period comprising the three years ended 31 December 2010, our management has assessed that it is unlikely that our Group's coal procurement activities in Australia would expose our Group to Australian income tax. In addition, our only presence in Australia is through our wholly-owned subsidiary, Winsway Australia, which engages in local industrial research activities for the Group and has not carried out any purchase and sale of coal or other procurement activities in Australia during the period comprising the three years ended 31 December 2010 since its establishment in November 2009 and has only earned an insignificant amount of intra-group services income from us in Australia. As such, we have not made any tax provision in Australia during the period comprising the three years ended 31 December 2010.

In respect of Macau Complementary Tax, as (i) our BVI-incorporated entities are incorporated as offshore companies in Macau and did not maintain any office nor employ any staff in Macau during the period comprising the three years ended 31 December 2010 and (ii) except for the accounting and payment functions which were performed by our Macau agent on behalf of our BVI-incorporated entities, all business activities were performed by senior management and our BVI trade agent entirely outside Macau, we believe that our such BVI-incorporated entities should not be considered as carrying out business activities in Macau and hence no Macau Complementary Tax liability should arise. In addition, Mr. Wang has agreed to indemnify us for any taxation liability which may arise in relation to the above. Please see the section headed "Related parties and connected transactions—Relationship with Controlling Shareholders—Deed of indemnity" in this Offering Memorandum.

From 2010 onwards, our subsidiary in Singapore, Winsway Singapore, is subject to Singapore corporate income tax at a 10% concessionary tax rate under the Global Trader Program, a program launched by Singapore's Trade Development Board which encourages qualified products and commodities trading companies to choose Singapore as their regional or global base of operations.

We had a credit balance of income tax of HKD11.9 million in 2008. For 2009 and 2010, our profit before taxation was HKD561.3 million and HKD1,180.2 million, respectively, and our income tax expenses were HKD70.4 million and HKD251.4 million, respectively, as a result of which, our effective tax rate was 12.5% and 21.3 %, respectively. For further details of the taxation of our Group, please refer to the section headed "Taxation" in this Offering Memorandum.

Discontinued operations

During the period comprising the three years ended 31 December 2010, our Group disposed of or liquidated several subsidiaries of our Group. Each of these subsidiaries previously carried out a separate line of business or has a specific geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate line of business in a geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation is abandoned. The result from each of these subsidiaries is presented on the consolidated income statements as discontinued operations. These disposed subsidiaries were mainly engaged in the trading of petrochemicals and the provision of logistics services in Mongolia. The disposals of such companies are consistent with the strategy of our Group, which is to focus on developing our coking coal business, while developing long-term strategic cooperation relationship with our Mongolian suppliers and service providers, which have a strong presence in Mongolia. Our Directors believe that the opportunities to improve our operating efficiency through the economies of scale created by leveraging the competitive advantage of our Mongolian suppliers and service providers is beneficial to our Group as a whole. We had also disposed of a loss-making PRC subsidiary engaged in inactive business in 2009. All of these disposed subsidiaries were sold to Independent Third Parties. The loss from the discontinued operations for 2008, 2009 and 2010 was HKD37.3 million, HKD9.2 million and Nil, respectively. The gain on sale of such discontinued operations recorded by our Group for each of 2008, 2009 and 2010 was HKD0.1 million, HKD33.6 million and Nil, respectively.

Exchange differences on translation of financial statements of overseas subsidiaries

During the year 2010, the Group changed its presentation currency for the preparation of the Financial Information from RMB to HKD. Our Directors believe the change will result in a more appropriate presentation of the Group's transactions in the financial statements.

The functional currencies of certain of our overseas subsidiaries are currencies other than HKD. For translation purpose, monetary assets and liabilities for the years of 2008, 2009 and 2010 are translated into HKD at the foreign exchange rates in effect at 31 December 2008, 2009 and 2010, respectively. In addition, non-monetary assets and liabilities for the years of 2008, 2009 and 2010 that are measured in terms of historical cost in a foreign currency are translated into HKD using the foreign exchange rates in effect at the transaction dates while non-monetary assets and liabilities for the same period denominated in foreign currencies that are stated at fair value are translated into HKD using the foreign exchange rates in effect at the dates the fair value was determined. The results of foreign operations for the years of 2008, 2009 and 2010 are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates in effect at the dates of the transactions. The resulting exchange differences are recognized directly 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 recognized in equity which relate to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

Consolidated Results of Operations

The following table shows the line items of our consolidated income statements and consolidated statements of comprehensive income, expressed in absolute figures and as a percentage of turnover, for 2008, 2009 and 2010:

	Years ended 31 December						
	2008		2009		2010		
	(HKD'000)	(Percentage of turnover)	(HKD'000)	(Percentage of turnover)	(HKD'000)	(USD'000)	(Percentage of turnover)
Continuing operations							
Turnover	1,113,858	100.00	5,283,216	100.0	9,271,665	1,191,578	100.0
Cost of sales	(619,786)	(55.6)	(4,322,158)	(81.8)	(7,154,115)	(919,434)	(77.2)
Gross profit	494,072	44.4	961,058	18.2	2,117,550	272,144	22.8
Other revenue	6,913	0.6	8,902	0.2	25,972	3,338	0.3
Distribution costs	(122,825)	(11.0)	(268,945)	(5.1)	(471,487)	(60,595)	(5.1)
Administrative expenses	(69,817)	(6.3)	(103,974)	(2.0)	(358,533)	(46,078)	(3.9)
Other operating expenses, net	(11,224)	(1.0)	(730)	(0.0)	(11,166)	(1,435)	(0.1)
Profit from operating activities	297,119	26.7	596,311	11.3	1,302,336	167,374	14.0
Finance income	5,023	0.4	7,041	0.1	65,825	8,460	0.7
Finance costs	(3,734)	(0.3)	(42,034)	(0.8)	(179,928)	(23,124)	(1.9)
Net finance income/ (costs)	1,289	0.1	(34,993)	(0.7)	(114,103)	(14,664)	(1.2)
Share of losses of jointly controlled entity	-	-	-	-	(8,080)	(1,039)	(0.1)
Profit before taxation	298,408	26.8	561,318	10.6	1,180,153	151,671	12.7
Income tax	11,927	1.1	(70,367)	(1.3)	(251,390)	(32,308)	(2.7)
Profit from continuing operations	310,335	27.9	490,951	9.3	928,763	119,363	10.0
Loss from discontinued operations (net of income tax)	(37,296)	(3.3)	(9,246)	(0.2)	-	-	-
Gain on sale of discontinued operations (net of income tax)	141	0.0	33,550	0.6	-	-	-
Profit for the year	**273,180**	**24.5**	**515,255**	**9.8**	**928,763**	**119,363**	**10.0**
Other comprehensive income for the year							
Exchange differences on translation of financial statements of overseas subsidiaries and a jointly controlled entity (net of income tax)	4,665	0.4	167	0.0	45,164	5,804	0.5
Total comprehensive income for the year	**277,845**	**24.9**	**515,422**	**9.8**	**973,927**	**125,167**	**10.5**
Profit attributable to: Equity shareholders of the Company	274,228	24.6	515,255	9.8	928,826	119,371	10.0
Non-controlling interests	(1,048)	(0.1)	-		(63)	(8)	-
Profit for the year	**273,180**	**24.5**	**515,255**	**9.8**	**928,763**	**119,363**	**10.0**
Total comprehensive income attributable to: Equity shareholders of the Company	278,893	25	515,422	9.8	971,957	124,914	10.5
Non-controlling interests	(1,048)	(0.1)	-	-	1,970	253	-
Total comprehensive income for the year	**277,845**	**24.9**	**515,422**	**9.8**	**973,927**	**125,167**	**10.5**

2010 Compared to 2009

Turnover

Our turnover increased by HKD3,988.5 million, or 75.5%, to HKD9,271.7 million in 2010 from HKD5,283.2 million in 2009. This increase was due to the increase in total sales volume of coal from approximately 5.1 mt in 2009 to approximately 7.8 mt in 2010, resulting from (i) the continued strong demand for coking coal from our customers in China, (ii) our increased coal processing capacity at the Urad Zhongqi coal processing plant, and (iii) our improved ability to offtake more Mongolian and seaborne coal and to transport coal to our customers, particularly from Mongolia to our customers in the eastern coastal regions in China. In addition, compared to the downturn in 2009, global coking coal prices experienced a significant increase in 2010. As a result, the average selling prices of our coking coal products increased 14.8%, from HKD1,027 per tonne in 2009 to HKD1,179 per tonne in 2010, which also contributed to the increase of our turnover in 2010.

Cost of sales

Our cost of sales increased by HKD2,831.9 million, or 65.5%, to HKD7,154.1 million in 2010 from HKD4,322.2 million in 2009. This increase was mainly driven by the increased sales volume of Mongolian coal in 2010, which led to a higher purchase amount of Mongolian coal as well as increased transportation costs of delivering the coal from the Sino-Mongolian border to our coal processing plants in China. The increase in the average purchase price of Mongolian coal and seaborne coal as global coal prices rose in 2010 also contributed to an increase our cost of coal.

Gross profit

As a result of the above, our gross profit increased by HKD1,156.5 million, or 120.3%, to HKD2,117.6 million in 2010 from HKD961.1 million in 2009. Our gross profit margin was 22.8% in 2010 as compared to 18.2% in 2009. The increase in gross profit margin was principally attributable to the increased contribution of our Mongolian cleaned coking coal, which generally had a higher gross profit margin than our other coal products. Such increase in gross profit is also attributable to the increase in gross profit margin of our seaborne coal in 2010 as compared to the margin in 2009. This was principally driven by the increase in global coal prices as well as the economies of scale derived from the acceleration of the sales and purchases of seaborne coal since the second half of 2009.

Other revenue

Our other revenue increased by HKD17.1 million to HKD26.0 million in 2010 from HKD8.9 million in 2009.

Distribution costs

Our distribution costs increased by HKD202.6 million, or 75.3%, to HKD471.5 million in 2010 from HKD268.9 million in 2009. This increase was primarily due to the increased volume of coal sold and delivered to our customers, which in turn increased the transportation costs for delivering our coal products to such customers and the associated loading charges. However, distribution costs as a percentage of turnover was 5.1%, which remained consistent with that of 2009.

Administrative expenses

Our administrative expenses increased by HKD254.5 million to HKD358.5 million in 2010 from HKD104.0 million in 2009. This increase was primarily attributable to (i) the geographic expansion of our business from our original main operational areas, including the two Sino-Mongolian border crossings and Inner Mongolia, to multiple operational facilities throughout China; (ii) the establishment of additional overseas offices in Australia, Singapore and Hong Kong for our increased sea-borne activities; and (iii) the increase in staff costs resulting from the increase in the total number of our employees and despatched staff in 2010.

In addition, we incurred a total of HKD71.2 million of non-cash accounting expenses as a result of issuing 107,945,000 options to our Directors and management pursuant to the Pre-IPO Option Scheme and a total of HKD32.3 million of expenses payable in connection with the IPO, which amounts also contributed to the increase in administrative expenses in 2010.

Net other operating expenses

Our net other operating expenses increased by HKD10.5 million to HKD11.2 million in 2010 from HKD0.7 million in 2009. This increase was primarily attributable to the loss on disposal of certain property, plant and equipment.

Finance income

Our finance income increased by HKD58.8 million to HKD65.8 million in 2010 from HKD7.0 million in 2009. The increase was primarily due to the increase in our interest income of HKD11.7 million and the net foreign exchange gain of HKD47.1 million in 2010.

Finance costs

Our finance costs increased by HKD137.9 million to HKD179.9 million in 2010 from HKD42.0 million in 2009. The increase was primarily attributable to expenses of HKD100.6 million resulting from the interest on liability component related to the Convertible Bonds and Preference Shares under IFRS accounting treatment. As at 31 December 2010, all the holders of the Convertible Bonds and Preference Shares had exercised their respective conversion right under the Convertible Bonds or Preference Shares and the conversion took place on 24 September 2010.

Profit before taxation

As a result of the above, our profit before taxation increased by HKD618.9 million, or 110.3%, to HKD1,180.2 million in 2010 from HKD561.3 million in 2009.

Income tax

Our income tax increased by HKD181.0 million, or 257.1%, to HKD251.4 million in 2010 from HKD70.4 million in 2009. The increase in income tax in 2010 was primarily due to the increase in our profit before tax. Based on our profit before taxation of HKD1,180.1 million for the year of 2010, our effective income tax rate on the profit from continuing operations for 2010 was 21.3%, an increase of 70.4 %, compared to the effective tax rate of 12.5% for 2009. The increase was due to the reallocation of certain parts of our operations from jurisdictions with a lower tax regime, such as BVI, to jurisdictions with a relatively higher tax rate, such as Singapore and the PRC, which led to an increase of tax rate applicable to the relocated parts of the our operation and affected our effective income tax rate as a whole.

Profit from continuing operations

As a result of the above, our profit from our continuing operations increased by HKD437.8 million, or 89.2%, to HKD928.8 million in 2010 from HKD491.0 million in 2009. Net profit margin for 2010 was 10.0% as compared to 9.3% in 2009.

Exchange differences on translation of financial statements of overseas subsidiaries

Our exchange gain on translation of financial statements of overseas subsidiaries increased to HKD45.2 million in 2010 from HKD 0.2 million in 2009. This increase was primarily due to the change of our presentation currency of the Financial Information from RMB to HKD and the RMB appreciation against HKD in 2010, thereby creating an exchange gain from the translation of the financial statements from of our PRC subsidiaries that use RMB as their functional currencies into HKD.

Non-controlling interests

Our income attributable to non-controlling interests was nil in 2009 and HKD0.06 million in 2010. Our non-controlling interests for the year of 2010 represented our investment in the Peabody-Winsway JV and Xixiaozhao Railway Co.

Profit for the year

Our profit for the year increased by HKD413.5 million, or 80.2%, to HKD928.8 million in 2010 from HKD515.3 million in 2009. This increase occurred even though during 2010, we incurred in total HKD204.1 million of non-recurring expenses, including HKD32.3 million for our IPO, interest expenses of HKD100.6 million with regard to Convertible Bonds and Preference Shares as well as HKD71.2 million non-cash accounting expenses in relation to the implementation of the Pre-IPO Option Scheme.

2009 Compared to 2008

Turnover

Our turnover increased by HKD4,169.3 million, or 3.7 times, to HKD5,283.2 million in 2009 from HKD1,113.9 million in 2008. This increase was due to our ability to source more raw coal from our Mongolian suppliers and the commencement of our seaborne coal business to meet our customers' demand, which led to an increase in total sales volume of coal from approximately 1.0 mt in 2008 to approximately 5.1 mt in 2009. Such increase was partially offset by the decrease in the overall average selling price from approximately HKD1,093 per tonne in 2008 to HKD1,027 per tonne in 2009, which was in line with the overall decline in global and domestic coal prices in 2009, as well as the one-off export sales to Japan in 2008, which had a relatively higher average selling price as compared to our coal products sold to customers in the PRC.

Cost of sales

Our cost of sales increased by HKD3,702.4 million, or 597.4%, to HKD4,322.2 million in 2009 from HKD619.8 million in 2008. This increase was mainly driven by the increase in sales volume of coal in 2009. It was also attributable to the commencement of our sales of seaborne coal, which were relatively more expensive than Mongolian coal in 2009.

Gross profit

As a result of the above, our gross profit increased by HKD467.0 million, or 94.5%, to HKD961.1 million in 2009 from HKD494.1 million in 2008. Our gross profit margin was 18.2% in 2009 as compared to 44.4% in 2008. The decrease in gross profit margin was principally attributable to the commencement of the sale of our seaborne coal products in 2009, which has a relatively lower margin than Mongolian coal. It was also attributable to the decrease in the average selling prices for our Mongolian coal as a result of the overall decline in global and domestic coal prices, whilst cost of sales on a per tonne basis increased.

Other revenue

Our other revenue increased by HKD2.0 million to HKD8.9 million in 2009 from HKD6.9 million in 2008. Our other revenue for 2008 and 2009 mainly comprised government grants, which was increased as a result of our increased tax contribution.

Distribution costs

Our distribution costs increased by HKD146.1 million, or 1.2 times, to HKD268.9 million in 2009 from HKD122.8 million in 2008. This increase was primarily due to the increased volume of cleaned coking coal delivered to our customers, which in turn increased the associated transportation costs for delivering our coal products to such customers. Nevertheless, distribution costs as a percentage of turnover decreased from 11.0% to 5.1% due to the increased contribution from the sale of seaborne coal, which has a relatively lower distribution cost as compared to Mongolian cleaned coking coal, as most of our seaborne coal are being delivered to our customers at the seaports which entails higher distribution cost. The decrease as a percentage of turnover was also due to the distribution costs associated with the one-off export sales to Japan in 2008. The total amount associated with such one-off-export sales to Japan (including shipment costs, export and custom charges) in 2008 is HKD13.1 million.

Administrative expenses

Our administrative expenses increased by HKD34.2 million, or 49.0%, to HKD104.0 million in 2009 from HKD69.8 million in 2008. This increase was primarily attributable to (i) the increase in staff costs from HKD20.1 million in 2008 to HKD33.1 million in 2009. The increase in staff cost was mainly attributable to the increase in the total number of our employees and despatched staff in 2009; and (ii) the increase in business traveling expenses from HKD2.6 million in 2008 to HKD14.1 million in 2009. Such increase in business traveling expenses was mainly due to the geographic expansion of our Company's business.

Other operating expenses

Our other operating expenses decreased by HKD10.5 million to HKD0.7 million in 2009 from HKD11.2 million in 2008. This decrease was primarily attributable to a non-recurring loss on sale of chemical materials and motor vehicles of HKD11.9 million in 2008.

Finance income

Our finance income increased by HKD2.0 million, or 40.0%, to HKD7.0 million in 2009 from HKD5.0 million in 2008. The increase was in line with the increase in our bank balances and restricted bank deposits.

Finance costs

Our finance costs increased by HKD38.3 million to HKD42.0 million in 2009 from HKD3.7 million in 2008. The increase was primarily due to the increase in our outstanding bank and other loans and the increase in the interest on our discounted bills.

Profit before taxation

As a result of the above, our profit before taxation increased by HKD262.9 million, or 88.1%, to HKD561.3 million in 2009 from HKD298.4 million in 2008.

Income tax

Our income tax was HKD70.4 million for 2009, while our credit balance of income tax was HKD11.9 million for 2008. The credit balance of income tax in 2008 was primarily due to the tax effect of deferred tax assets on unrealized profit on our inventory, while the income tax expenses in 2009 was primarily resulted from the increase in our profit before tax. Based on our profit before taxation of HKD561.3 million in 2009, our effective income tax rate on the profit from continuing operations for 2009 was 12.5%.

Profit from continuing operations

As a result of the above, our profit from our continuing operations increased by HKD180.7 million, or 58.2%, to HKD491.0 million in 2009 from HKD310.3 million in 2008. Our net profit margin for 2009 was 9.3% as compared to 27.9% in 2008.

Exchange differences on translation of financial statements of overseas subsidiaries

Our exchange gain on translation of financial statements of overseas subsidiaries decreased by HKD4.5 million to HKD0.2 million in 2009 from HKD4.7 million in 2008. This decrease was primarily due to the slowdown of the pace of RMB appreciation against the HKD in 2009, thereby reducing the gain from the translation of the financial statements of our PRC subsidiaries that use RMB as their functional currencies into HKD. In 2009, RMB appreciated approximately 0.16% against HKD.

Non-controlling interests

Our income attributable to non-controlling interests were HKD1.0 million in 2008 and nil in 2009. The nil balance in 2009 was primarily due to the disposal of all of our non-wholly-owned subsidiaries or the acquisition of the remaining non-controlling interest in such subsidiaries in 2008. All of our subsidiaries were wholly-owned as at 31 December 2009.

Profit for the year

Our profit for the year increased by HKD242.1 million, or 88.6%, to HKD515.3 million in 2009 from HKD273.2 million in 2008.

Liquidity and Capital Resources

Overview

We have historically financed, and expect to continue to finance, our working capital, capital expenditure and other capital requirements through internally generated cash flow, short-term bank and other borrowings and capital contributions from our Shareholders. Our short-term liquidity requirements relate to servicing our debt, funding our working capital requirements and our construction of coal processing facilities and other infrastructure and repayment of our bank and other loans. Our sources of short-term liquidity include cash and cash equivalents, payments received from our customers and new loans. Our long-term liquidity requirements relate to funding of the development of our new coal processing assets, logistics parks, facilities and infrastructure, and the potential acquisition of upstream resource assets, rolling stock, other transportation related vehicles and railway-related infrastructure. Our sources of long-term liquidity include internally generated cash flow, loans, capital contributions from shareholders and proceeds from the IPO and the Notes.

Our Group's primary objectives when managing capital are to safeguard our Group's ability to continue as a going concern, so that we can continue to provide returns for our Shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce cost of capital. Our Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher 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.

Cash flow

The table below summarizes our consolidated cash flow for the periods indicated:

	Years ended 31 December			
	2008	**2009**	**2010**	**2010**
	HKD'000	**HKD'000**	**HKD'000**	**USD'000**
Selected cash flow statement data				
Net cash generated from/(used in) operating activities	141,870	(352,623)	47,392	6,091
Net cash used in investing activities	(585,425)	(647,260)	(1,056,369)	(135,763)
Net cash generated from financing activities	511,495	1,164,500	3,568,917	458,671
Net increase in cash and cash equivalents	67,940	164,617	2,559,940	329,999

Cash flow from operating activities

Net cash flow from operating activities primarily consists of profit for the year adjusted for non-cash items including depreciation and amortization and finance costs and the effect of changes in working capital. Our cash from operations is generated principally from our turnover and supplemented by increases in trade and other payables, which have been accrued but are not yet due. Our operation has experienced net operating cash outflow during the period comprising the three years ended 31 December 2010, particularly when imbalances occurred between the timing of our cash inflow relating to the settlement of trade and other receivables by our customers and our cash outflow relating to the payment of trade and other payables for our purchases and other financing costs as well as the increase in inventory levels.

In 2010, net cash generated from operating activities was HKD47.4 million, representing a substantial increase of HKD400.0 million compared to cash used in operating activities of HKD352.6 million in 2009 and compared to profit for the year of HKD928.8 million for 2010. The difference between profit for the year and net cash generated from operating activities of HKD881.4 million is primarily due to (i) an increase in inventories in the amount of HKD782.1 million, which increase was primarily attributable to increased sales volume, (ii) a decrease in trade and other payables of HKD420.6 million and (ii) income taxes paid of HKD211.3 million, which were partially offset by (i) income tax of HKD251.4 million, (ii) interest expense of HKD179.9 million, (iii) equity based share transactions of HKD71.2 million and (iv) depreciation of HKD56.1 million.

In 2009, net cash used in operating activities was HKD352.6 million, compared to profit for the year of HKD515.3 million. The difference of HKD867.9 million was primarily attributable to (i) an increase in trade and other receivables of HKD1,752.4 million, (ii) an increase in inventories in the amount of HKD913.8 million, which increase was primarily attributable to increased sales volume; and (iii) income tax paid of HKD39.3 million, which were partially offset by (i) an increase in trade and other payables of HKD1,703.4 million, (ii) depreciation of property, plant and equipment of HKD56.8 million and (iii) interest expense of HKD48.8 million.

In 2008, net cash generated from operating activities was HKD141.9 million, compared to profit for the year of HKD273.2 million. The difference of HKD131.3 million was primarily attributable to an increase in inventories in the amount of HKD167.1 million primarily due to increased sales volume.

Cash flow used in investing activities

Our cash flow used in investing activities primarily reflects the payment for acquisition of property, plant and equipment and construction in progress, increase in restricted bank deposits which are required to be placed in designated bank accounts as securities for our bank and other loans and payment for investment in jointly controlled entities.

In 2010, net cash used in investing activities was HKD1,056.4 million, consisting primarily of (i) payment for purchase of property, plant and equipment, construction in progress, lease prepayments and intangible assets of HKD856.0 million, which were related to our development and construction of railway logistics centers, construction of border crossing facilities and coal processing plants, (ii) loans of HKD311.3 million, equivalent to USD40.0 million, to Moveday and (iii) payment for investment in jointly controlled entities of HKD293.4 million which was in connection with our investment in the Peabody-Winsway JV, and partially offset by a decrease in restricted bank deposits of HKD298.5 million.

In 2009, net cash used in investing activities was HKD647.3 million, consisting primarily of (i) payment for purchase of property, plant and equipment, construction in progress, lease prepayments and intangible assets of HKD192.0 million. These payments were mainly in relation to the construction of our coal processing plants and logistics parks; and (ii) increase in restricted bank deposits of HKD535.9 million.

In 2008, net cash used in investing activities was HKD585.4 million, consisting primarily of (i) payment for purchase of property, plant and equipment, construction in progress, lease prepayments and intangible assets of HKD285.2 million. These payments were mainly in relation to the purchase of trucks for the transportation of our products; and (ii) increase in restricted bank deposits of HKD314.2 million.

Cash flow from financing activities

Our cash inflow from financing activities is mainly generated from new bank and other loans, capital contribution from shareholders and proceeds from the issue of Convertible Bonds and Preference Shares as well as the proceeds of the IPO. Our cash outflow from financing activities reflects repayment of bank and other loans.

In 2010, net cash generated from financing activities was HKD3,568.9 million, primarily comprised of funds raised through the private placement prior to the IPO as well as proceeds from the IPO.

In 2009, net cash generated from financing activities was HKD1,164.5 million, primarily as a result of proceeds from bank and other loans of HKD2,230.8 million in aggregate for general working capital purposes. This was partially offset by the repayment of bank and other loans of HKD1,029.2 million.

In 2008, net cash generated from financing activities was HKD511.5 million, primarily as a result of (i) additional bank and other loans mainly obtained or drawn down by us in the amount of HKD785.9 million in aggregate. These loans were drawn down or obtained for general working capital purposes; and (ii) capital injections from equity shareholders of the Company of HKD85.7 million. These proceeds were mainly received from Sincere Hill, our previous holding company prior to our reorganization and which shares were subsequently transferred to Winsway Resources Holdings in 2009 pursuant to our reorganization. These were partially offset by (i) the repayment of bank and other loans of HKD252.4 million and (ii) dividends paid of HKD77.2 million.

Indebtedness

Bank and other loans

As at 31 December 2008, 2009 and 2010, our outstanding bank and other loans amounted to HKD679.2 million, HKD1,589.5 million and HKD1,072.7 million, respectively. All of our bank and other loans are secured and are repayable within one to five years. The proceeds of our bank and other loans were primarily used to fund and finance our general working capital. Certain of our bank and other loans contained restrictive covenants and our Group did not breach, nor were we in default of, any of our loan agreements during the period comprising the three years ended 31 December 2010. For further details please refer to the section headed "Description of Other Material Indebtedness" in the Offering Memorandum.

As at 31 December 2010, we had obtained credit facilities, certain of which are not on a committed basis, from banks of approximately HKD5,950.0 million. As at 31 December 2010, our total secured bank and other loans amounted to HKD1,072.7 million, comprising of (i) HKD533.6 million secured by pledged trade and bills receivables, (ii) HKD220.0 million secured by coking coal inventories of our Group and (iii) HKD435.4 million secured by fixed deposits placed in banks. We also have total outstanding trade and bills payable of HKD748.3 million as at 31 December 2010. We do not anticipate any difficulties in renewing our existing loans in the foreseeable future.

Save for HKD415.3 million, HKD1,160.7 million and HKD236.7 million of our bank and other loans as at each of 31 December 2008, 2009 and 2010, respectively, which are denominated in USD, our bank and other loans are primarily short-term loans denominated in RMB and bear interest at the range of 3.90% to 8.35% per annum, 0.90% to 6.78% per annum and 1.42% to 7.23% per annum, respectively, for 2008, 2009 and 2010. As at 31 December 2010, we also had long-term loans of HKD62.6 million bearing interest of 7.46%. The carrying amounts of our bank and other loans approximate to their fair values due to the short-term maturity of such loans.

The following table sets forth our debt by maturity as of the dates indicated:

	As of 31 December			
	2008	**2009**	**2010**	**2010**
	HKD	**HKD**	**HKD**	**USD**
			(in millions)	
Repayable:				
Within one year	679.2	1,589.5	1,010.1	129.8
After two years but within five years	-	-	62.6	8.0
Total borrowings	679.2	1,589.5	1,072.7	137.8

As at 31 December 2009, HKD625.7 million of bank facilities utilized by certain of our Group entities and our Company were guaranteed by Mr. Wang and certain related parties which are under common control of Mr. Wang. All such guarantees were released in 2010, and as of 31 December 2010, no bank facilities utilized by the Group were guaranteed by Mr. Wang or the related parties of the Group which are under common control of Mr. Wang.

Convertible Bonds and Preference Shares

In March and April 2010, we and the Controlling Shareholders entered into various subscription agreements with the Pre-IPO Investors, namely HOPU, China Minmetals Corporation, Silver Grant and ITOCHU, pursuant to which the Pre-IPO Investors agreed to subscribe for the Convertible Bonds and the Preference Shares amounting to an aggregate of US$120.0 million. Both the Convertible Bonds and the

Preference Shares contain liability and equity components, and the fair value of the respective liability component upon the issuance of the Convertible Bonds and the Preference Shares was valued by our Directors with reference to a valuation report issued by Jones Lang LaSalle Sallmanns Limited using the discounted cash flows method. As at 31 December 2010, all the holders of the Convertible Bonds and Preference Shares had exercised their respective conversion right under the Convertible Bonds or Preference Shares and the conversion took place on 24 September 2010.

Contingent liabilities

Prior to the IPO, we had granted certain guarantees and collateral pledge to banks in respect of bank facilities granted to related parties and other third parties. All such grantees and collateral pledge were fully settled or released in 2010, and we do not have contingent liabilities that will have an adverse effect on our liquidity, results of operations or financial position.

Contractual Commitments and Capital Expenditures

For each of 2008, 2009 and 2010, we made payment for purchases of property, plant and equipment, construction in progress, lease prepayments and intangible assets of HKD285.2 million, HKD192.0 million and HKD856.0 million, respectively. Our capital expenditures are primarily related to our business expansion, especially our plan of expanding our fixed asset investment, and mainly represent the acquisition of motor vehicles and machinery, as well as the construction of coal processing plants, logistics parks, railway logistics facilities and border crossing facilities. As part of our future growth strategy, we had total contracted commitments for capital expenditures of HKD68.2 million as at 31 December 2009 which substantially increased to HKD540.8 million as at 31 December 2010 to be used for construction of property, plant and equipment, including logistics parks and coal processing facilities.

Set forth below is a summary of our capital commitments as at the dates indicated.

	Years ended 31 December			
	2008	**2009**	**2010**	**2010**
	HKD'000	**HKD'000**	**HKD'000**	**USD'000**
Contracted for	14,492	68,153	540,757	69,497
Authorized but not contracted for	18,142	607,906	2,252,743	289,519
	32,634	676,059	2,793,500	359,016

We intend to fund our planned capital expenditures with internally generated cash flow, bank and other loans, proceeds from the IPO and the proceeds from the offering of the Notes. In line with our plan of using the proceeds of our IPO and a portion of the proceeds from the offering of the Notes for fixed assets investment, we expect our capital expenditure will continue to grow until the year of 2012.

Operating lease commitment

During the period comprising the three years ended 31 December 2010, we leased certain of our offices and dormitories in the PRC, Hong Kong and Australia under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years. The total future minimum lease payments under non-cancellable operating leases of the Group in respect of buildings and others as at 31 December 2008, 2009 and 2010, are payable as follows:

	Years ended 31 December			
	2008	2009	2010	2010
	HKD'000	HKD'000	HKD'000	USD'000
Within 1 year	40	2,275	18,548	2,384
After 1 year but within 5 years	3	-	24,009	3,085
	43	2,275	42,557	5,469

Off-balance sheet commitments and arrangements

Except for the contingent liabilities set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have a retained or contingent interest in assets transferred to an unconsolidated entity or a similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholders' equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

Restricted bank deposits

As disclosed in the section headed "Indebtedness—Bank and other loans" above, pursuant to relevant bank facility agreements entered into by a number of our subsidiaries with their banks, they are required to pledge certain bank deposits in designated bank accounts as securities for bank and other loans and banking facilities in respect of issuance of bills and letters of credit by the Group with original maturity of more than three months. As at 31 December 2008, 2009 and 2010, such restricted bank deposits amounted to HKD336.7 million, HKD642.5 million and HKD344.1 million, respectively. These represent our pledged bank deposits of maturity more than three months of HKD344.1 million as at 31 December 2010 as collateral for our borrowings and banking facilities in respect of issuance of bills and letters of credit by our Group.

Financial Risks Management

We are exposed to various types of financial risks, including credit risk and risks arising from the changes in interest rates and foreign exchange rates, in the ordinary course of business.

Credit risk

Our Group's credit risk is primarily attributable to trade and other receivables and over-the-counter derivative financial instruments entered into for hedging purpose. We monitored the exposures to these credit risks on an ongoing basis.

With respect to 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 payment or settlement history 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 will be granted. Our Group generally does not obtain collateral from customers. No allowance of impairment loss was recorded in respect of our trade and other receivables.

With respect to receivables under finance lease, our Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. To mitigate risks, where appropriate, our Group requests lessees to provide collateral and guarantees.

Our Group's exposure to credit risk is mainly influenced by individual characteristics of each customers rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when our Group has significant exposure to individual customers. As at 31 December 2008, 2009 and 2010, 53%, 5% and 1% of the trade and other receivables of our Group were due from our single largest customer, and 56%, 11% and 16% of the trade and other receivables of our Group are due from our five largest customers. Our senior management considers that each of our five largest customers has a high credit standing and based on the good settlement history of such customers, our senior management does not consider that there will be a significant credit risk exposure arising from our customer concentration.

The maximum exposure to credit risk without taking account of any collateral held by us is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. Except for the financial guarantees given by our Group as disclosed in the section headed "Contingent liabilities" above, our Group does not provide any other guarantees which would expose our Group to credit risk.

Liquidity risk

Individual operating entities within our Group are responsible for their own cash management, including short-term investment of cash surplus and the raising of loans to cover expected cash demand. The policy of our Group is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient cash reserves and adequate committed funding and facilities from major financial institutions to meet both our short-term and long-term liquidity requirements. Our senior management considers that our internally generated cash flow is sufficient for, and will be able to sustain, the expansion of our business and operations. Our senior management also considers that we will be able to meet our liquidity requirements through our internally generated cash flow.

Currency risk

Historically we maintained our accounting records and prepare our financial statements in RMB. Starting in the year 2010, we commenced presenting our financial statements in HKD. However, our sales and the associated trade receivables are principally denominated in RMB, while our purchases are mainly denominated in USD. Our Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to payables, cash and cash equivalents and bank and other loans that are denominated in a foreign currency, which represents a currency other than the functional currency of the operations to which the transactions relate. The currencies that give rise to this risk are primarily USD and RMB. In respect of our other trade receivables and payables denominated in foreign currencies, our Group manages the currency risk by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances and to ensure that the net exposure is kept to an acceptable level. Our net exposure to USD arising from recognized assets and liabilities as at 31 December 2008, 2009 and 2010 were HKD418.2 million, HKD869.1 million and HKD403.7

million, respectively and as at December 2010 our net exposure to RMB arising from recognized assets and liabilities is HKD2,444.8 million.

Currently we have derivative financial instruments for the purpose of reducing our Group's exposure to currency risk. While our Group may decide to enter into more hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully.

In addition, a substantial portion of our turnover and operating expenses are denominated in RMB. As at 31 December 2008, 2009 and 2010, cash and cash equivalents of HKD98.8 million**,** HKD201.7 million, and HKD325.6 million, respectively, was held by our Group in RMB in the PRC. RMB is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in the availability of foreign currencies may restrict the ability of our PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to us. For further details of the PRC laws and regulations concerning foreign exchange control, please refer to the sections headed "Taxation—People's Republic of China taxation" and "Risk Factors—Risks related to doing business in the PRC" in this Offering Memorandum.

Dividends

In 2010 we declared and paid a total amount of HKD243.7 million of dividends to our equity shareholders, equivalent to HKD0.12 per Share. In 2010 we also declared and paid dividends of HKD50.3 million and HKD48.8 million to the holders of Preference Shares and Convertible Bonds, respectively. On 7 March 2011, our Board declared the payment of a dividend totalling HKD231.0 million, equivalent to HKD0.061 per Share and representing approximately 25% of the Group's net profit for the year of 2010, to our equity Shareholders. The distribution of such dividend will be submitted to the annual general meeting of our shareholders, which will be held in May 2011, for its approval.

CORPORATE STRUCTURE

Introduction

Our history can be traced back to 1995 when Mr. Wang founded the Winsway Group. Winsway Group had a joint venture relationship and invested in companies with Harbin Railway Bureau Foreign Economic and Technology Cooperation Company Halaer Branch Company (哈爾濱鐵路局對外經濟技術合作公司 海拉爾分公司) and Diversified Business Corporation affiliated to the Hohhot Railway Bureau (呼和浩特鐵路局多種經營總公司) in 1995 and 2001, respectively, for building up the transshipping equipment and transshipping and importing of crude oil and chemical products.

In November 2005, we set up Inner Mongolia Haotong to conduct our coal business in the PRC. In April 2006, Winsway Group acquired Yiteng to develop a platform for coking coal transportation from the PRC side of the Sino-Mongolian border to customers in the PRC. In September 2007, as a result of the reorganization of the coking coal business of our Group, our Company was established and began to independently engage in coking coal business.

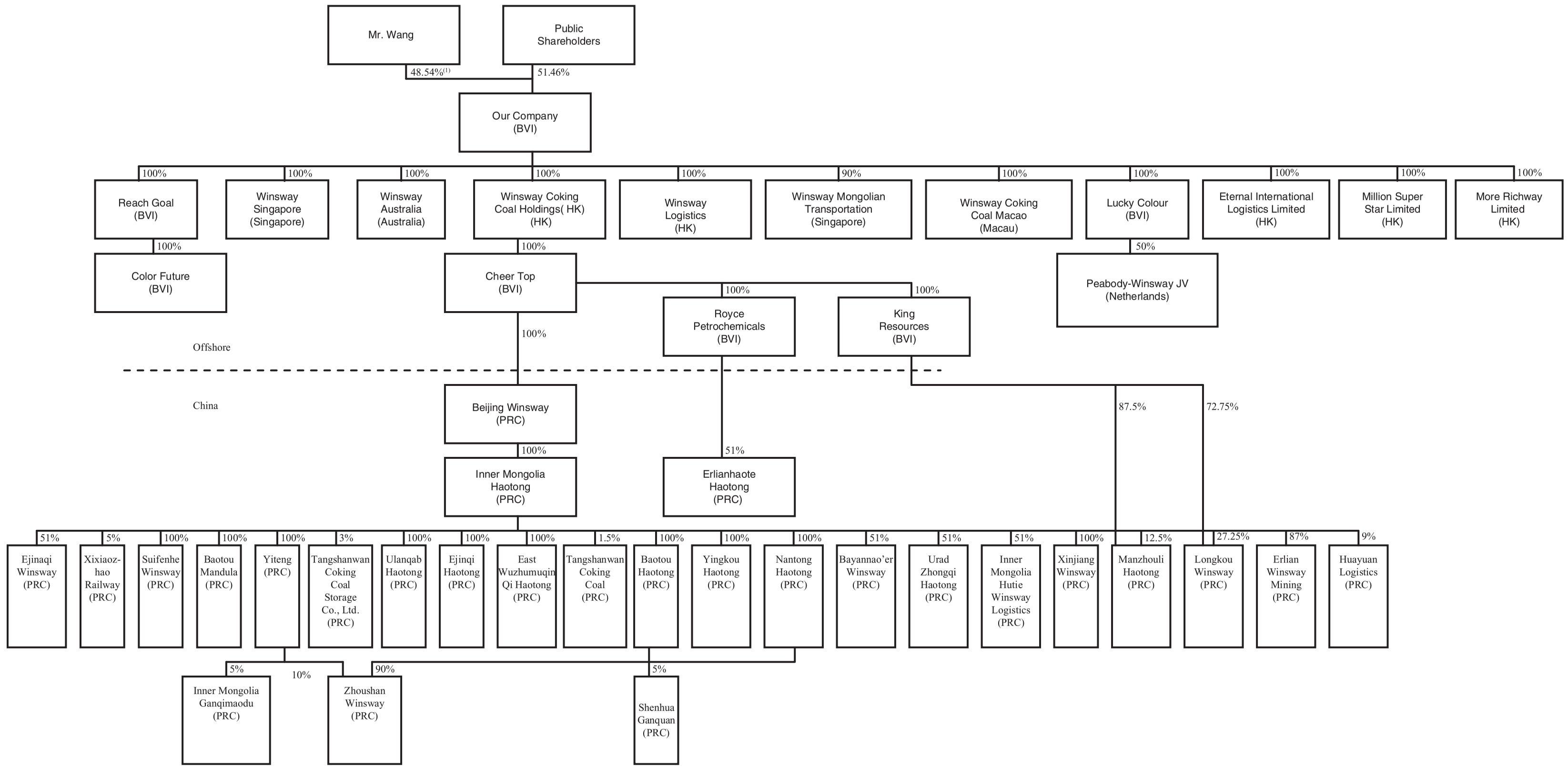
Under the leadership of Mr. Wang, our Group has developed into a major supplier of coking coal with large-scale processing capacity and value-added services to major steel makers and coke plants in the PRC.

In March and April 2010, HOPU, China Minmetals Corporation, Silver Grant and ITOCHU became our investors. In the same year, we acquired a 50% interest in the Peabody-Winsway JV which holds the entire equity interest in Peabody-Winsway Mongolia, which is engaged in coal exploration and mining in Mongolia.

In October 2010, we sold 990 million Shares in an initial public offering in Hong Kong and the Shares started to be listed and traded at the Main Board of the Hong Kong Stock Exchange.

Our shareholding and corporate structures

The following chart sets out our shareholding and corporate structure as at 28 February 2011:



Note:
1. Mr. Wang owns 48.54% of our issued Shares through his direct and indirect shareholdings in Winsway Group Holdings, Winsway Petroleum Holdings, Winsway Resources Holdings and Winsway International Petroleum & Chemicals.

We commissioned AME Mineral Economics (Hong Kong) Limited ("AME"), an industry consultant in the mining sector, to provide a report ("AME Report") for use, in whole or in part, in the section headed "Industry Overview" in this Offering Memorandum. We also commissioned Frost & Sullivan, a business research and consulting firm, to provide a report ("Frost & Sullivan Report") for use in the section headed "Industry Overview — Chinese Railway System Overview" in this Offering Memorandum. Unless otherwise specified, all of the data presented in the section headed "Industry Overview — China Railway System Overview" and the other parts of the section headed "Industry Overview" in this Offering Memorandum have been based on or derived from the Frost & Sullivan Report and the AME Report, respectively.

AME and Frost & Sullivan prepared their reports based on their respective in-house databases, independent third-party reports and publicly available data from reputable industry organizations. The information derived from the AME Report and the Frost & Sullivan Report has been obtained from official government and non-official sources believed by AME and Frost & Sullivan, respectively, to be reliable. However, since such information is unavoidably subject to certain assumptions and estimates made by third parties, there can be no assurance as to the accuracy or completeness of included information and it should not be unduly relied upon. As certain economic data is collected on a sample basis or estimated by AME and Frost & Sullivan, as appropriate, each table and figure should be assumed to include estimated information.

Forecasts and assumptions included in the AME Report and the Frost & Sullivan Report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of governments, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, coal prices, risks inherent in the mining industry, financing risks, labor risks, uncertainty of mineral reserve and resource estimates, equipment and supply risks, regulatory risks and environmental concerns.

Investors should note that no independent verification has been carried out on any facts or statistics that are directly or indirectly derived from official government and non-official sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false, inaccurate or misleading or that any part has been omitted that would render such information false, inaccurate or misleading. The Company, the initial purchasers, their respective directors and advisors and other persons or parties involved in the Offering make no representation as to the accuracy of the information from official government and non-official sources, which may not be consistent with other information. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

AN INTRODUCTION TO COKING COAL

Coal is a common and widely distributed carbon-based energy natural resource, mined by both open-cut and underground mining methods. Typically, there are two main types of coal produced, based on the end-use of the coal, namely coking coal and thermal coal, both of which fall into the broad categories of Bituminous and Sub-bituminous Coals. The markets for coking coal and thermal coal operate relatively independently of each other.

Coking coal, also commonly referred to as metallurgical coal, is used to produce coke, which is used as a reductant in the manufacturing of iron and steel. To a lesser extent, coke is also used in the casting and smelting of base metals. Market participants typically refer to six types of coking coals based on specific characteristics of the coal, including the ash content, volatile materials, coke strength and fluidity. Lower ranked coking coals such as Semi-soft Coking Coals are used as either a coking blend component or as PCI coal. PCI coal is generally injected into a blast furnace to provide the required carbon in the iron-making process. However, there is no clear definition of coking coal apart from use in steelmaking.

Thermal coal, also referred to as steaming coal, is primarily used as an energy source in the generation of electricity. Thermal coal covers all black coals other than those which are specifically designated as coking coal. In broad terms, all coals can be used as thermal coal, however, not all coals can be used for coking purposes.

Coking Coal Classification

There is no global standard by which coking coals are graded and classified.

Table 1: Types of Coking Coals

Coal Type	Approximate Chinese Equivalent Coal Type	Ash	Volatile Matter	Crucible Swelling Number	Coke Strength after Reaction
		% air dried	% air dried		%
Premium hard coking	Primary Coking Coal	<8.5	19-38	8-9	55-74
Standard hard coking	and Fat Coal	<9.7	19-38	6-9	>55
Semi-hard coking	1/3 Coking coal and	8.0-10.5	17-26	4-6	50-60
Semi-soft coking	Lean Coal	8.0-11.0	25-41	3-8	45-55
Low-volatile PCI	Gas Coal, Meagre, Lean	6.0-10.5	10-19	1-2	n/a
High-volatile PCI	and Sticky Coal	4.0-10.0	26-42	1-5	n/a

Source: AME Report

Outside of China, references are typically made to six types of coking coal, broadly in accordance with the parameters set forth in Table 1. Chinese classification of coal however is based on a different system. Chinese coal classification developed in the late 1950s covering coal types from lignite to anthracite as set out in Table 2 below. This classification has been designated as one of China's National Standards, GB5751-1986.

There is no direct correlation between the Chinese and other international classifications. Chinese coal classifications have more classes of coal types. Generally, hard coking coals under typical international standards are equivalent to Primary Coking Coals and Fat Coals in China, while semi-soft coking coals are similar to 1/3 Coking Coals and Lean Coals in China.

Table 2: Chinese Coking Coal Classification (China National Standards—GB5751-1986)

Terminology in English	Coal Class Type	Terminology in Chinese	Volatile Matter (% air dried)	Chinese Caking index (G)	Chinese Plasticity Index(Y)
Meagre Coal	PM	貧煤 Pin Mei	>10-20	<5	n/a
Meagre Lean Coal	PS	貧瘦煤 Pin Shou Mei	>10-20	>5-20	n/a
Lean Coal	SM	瘦煤 Shou Mei	>10-20	>20-65	n/a
Primary Coking Coal	JM	焦煤 Jiao Mei	>10-28	>50-65	<25
Fat Coal	FM	肥煤 Fei Mei	>10-37	>85	>25
1/3 Coking Coal	1/3 JM	1/3 焦煤 1/3 Jia Mei	>28-37	>65	<25
Gas Fat Coal	QF	氣肥煤 Qi Fei Mei	>37	>85	>25
Gas Coal	QM	氣煤 Qi Mei	>28-37	>35-65	<25
1/2 Middle Sticky Coal	1/2 ZN	1/2 中粘煤 1/2 Zhong Nian Mei	>20-37	>30-50	n/a
Weak-Sticky Coal	RN	弱粘煤 Ruo Nian Mei	>20-37	>5-30	n/a

Source: AME Report

GLOBAL COKING COAL INDUSTRY OVERVIEW

AME believes prices for all coking coal types will remain robust for the short term. Supply shortages in the globally traded coking coal market will continue to drive up prices over the next 18 to 24 months. Relatively strong demand and tight supply conditions, especially in the case of hard coking coal, are reflected in increases in price experienced in 2010 and early 2011. Upside risk to prices is attributed to the following factors:

- Shortage of coking coal supply, particularly premium coking coals, and scarcity of high quality coking coal and acceptance of lower coking blends in blast furnaces may increase demand for lower quality coking coals;

- Increased steel production targets supporting relatively strong demand growth in developing nations such as China and India. China will continue to be a significant importer of coking coal;

- Traditional coking coal importers such as Europe, North America and Japan resuming contracted off-takes following recovery from current financial and economic instabilities;

- Supply growth limited by port and rail infrastructure constraints, and challenges to accessing capital funding given the changed financial climate;

- Adverse weather conditions during late 2010 have hampered the availability of seaborne coking coal supply. Several Australian coal producers have declared force majeure and reported disruptions to operations as a result of heavy rainfalls in the coking coal rich area of the Bowen Basin, North Queensland;

- Reflective of tight supply conditions, spot price of premium hard coking coal rose significantly over December 2010 and January 2011, peaking at US$380/t FOB and averaging $327/t FOB for the month of January 2011. A short term scarcity of hard coking coal is expected to influence the negotiation of contracts for the early part of Japanese Financial Year (JFY) 2011; and

- Greater pricing power of producers resulting from industry consolidation and increased use of quarterly rather than annual pricing regimes during buoyant market conditions.

Table 3: Benchmark Coking Coal Prices 2004 to 2012

	Japan-Australia Benchmark Coal Contract Prices (Japanese Fiscal Year, US$/t, FOB, Nominal 2004 to 09, Real 2010 to 2012)								
	2004	2005	2006	2007	2008	2009	2010E	2011F	2012F
Premium Hard Coking	58	127	114	96	300	129	215	265	238
Standard Hard Coking	56	125	107	89	289	120	203	250	225
Semi-Hard Coking	51	110	92	72	265	115	195	240	216
Semi-Soft Coking	43	80	58	64	240	83	167	172	166
High Volatile PCI	44	81	60	66	215	80	163	166	171
Low Volatile PCI	47	102	66	68	245	90	170	174	180

Source: AME Report

AME anticipates price growth may ease in the medium term, as infrastructure bottlenecks are alleviated and new supply streams begin to be commissioned, especially with the expected emergence of coal producers in Mozambique and Mongolia. Given the proximity to high demand nations such as India and China respectively and relatively low cost base, Mozambique and Mongolia are likely to be well placed to meet the expected increase in demand from the Indian and Chinese steel industries over the long term. In addition, bottlenecks that are currently faced by land-borne and seaborne trade are expected to ease as greater rail and port capacities are eventually commissioned.

Changes in Coking Coal Benchmark Pricing

Coking coal purchasers in Asia-Pacific have historically followed settlements in the dominant Japanese market, with contracts based on the Japanese Financial Year (JFY), from 1 April to 31 March. Negotiations for new contracts generally commence in December or January and are completed by March.

For the quarter ending June 2010, many coking coal producers moved to a quarterly pricing regime, in line with contracts signed by iron ore companies. Under the previous annual contract pricing regime, coking coal producers were generally required to wait at least one year before prices could be renegotiated to reflect changes in market dynamics. Sensitive to market changes, during buoyant market conditions spot prices for coking coal are generally higher than contract prices. As such coal producers have a preference to negotiate prices more frequently to reflect spot price closer during bullish markets.

Recently, increased market consolidation through mergers and acquisitions, and supply shortages has provided producers with greater pricing power. Given the current buoyant market conditions and relatively high spot prices, major coking coal producers have opted for more frequent quarterly contract pricing. Although quarterly contract pricing is more established, there are talks that suggest that coal producers are considering a push for monthly pricing. Continuing market buoyancy and increased frequency in price adjustments may support the rise in coking coal prices over the short term.

Demand

AME believes relatively stable demand growth and tight supply conditions in the global coking coal market may persist in the short to medium term. Demand growth, mainly driven by developing countries such as China and India, is expected to outstrip the rate of new supply entering the global coking coal market over the short to medium term.

A scarcity of high-quality coking coal production and infrastructure issues constraining supply in present and future export countries such as Australia, Russia, Mongolia and Mozambique is expected to contribute to the shortfall between demand and supply. In turn, AME considers there is considerable upside potential for export coking coal prices in the shorter term.

AME expects solid coking coal demand growth from the developing world. Imported coking coal demand growth in China and India is expected to account for a majority of the growth in global coking coal imports over the longer term. Demand growth may remain at relatively high levels as China continues to maintain a substantial share of the globally traded coking coal market and India aims to ramp up its steel production.

China's emergence as a significant importer of coking coal in 2009 has supported an increase in globally traded coking coal demand and in turn strained traded coking coal supply. Expected growth in Chinese and Indian crude steel production, together with the return of import demand from traditional coking coal importers such as Japan, Europe and North America, may add to the pressure on supply and create competition for available global coking coals.

Tight demand and supply conditions in the global coking coal market, especially in the case of hard coking coal, are reflected in increases in price experienced in 2010 and early 2011.

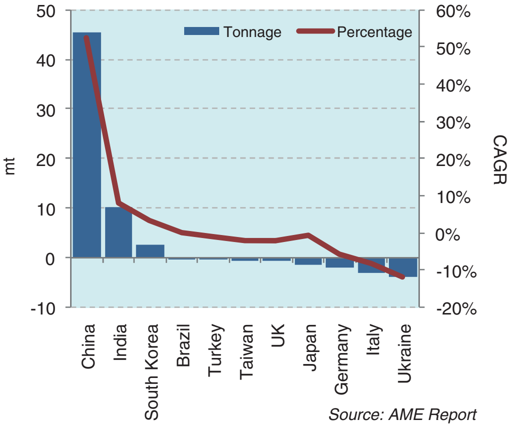
Benchmark contract prices for premium hard coking coal increased from approximately US$96/t in the beginning of 2008 to approximately US$300/t in April 2008. Contract prices decreased in April 2009 to approximately US$129/t but increased by around 55% in April 2010 to approximately US$200/t. Benchmark contract price again increased in June 2010 to around US$225/t for the quarter ending September 2010. Similarly, the spot price for Australian hard coking coal reached US$248/t FOB in May 2010, a 136% increase from the average spot price in May 2009 at US$105/t FOB.

However, in the quarter ending September 2010, both spot and quarterly contract prices fell. Benchmark contract price for premium hard coking coal for the quarter ending December 2010 was settled at US$209/t FOB, down approximately 7% from the previous quarter. Spot prices also fell in July and August. Average spot prices for Australian premium hard coking coal was around US$203/t FOB in July. Despite a dip in the hard coking coal benchmark contract price during the third quarter, the price for the fourth quarter ending March 2011 was settled at US$225/t FOB; on par with the second quarter. Similarly, the spot price has also shown strong recovery passing the US$230/t FOB in early December 2010.

Severe flooding in Queensland has reduced the availability of high quality coking coal in the December and January quarters. This has exasperated tight supply conditions of global seaborne coking coal. Consequently, spot price of premium hard coking coal rose significantly over December 2010 and January 2011, peaking at US$380/t FOB and averaging $327/t FOB for the month of January. The short term scarcity of hard coking coal is expected to influence the negotiation of contracts for the early quarters of 2011JFY. AME expects the 2011JFY benchmark hard coking coal price to average US$265/t FOB.

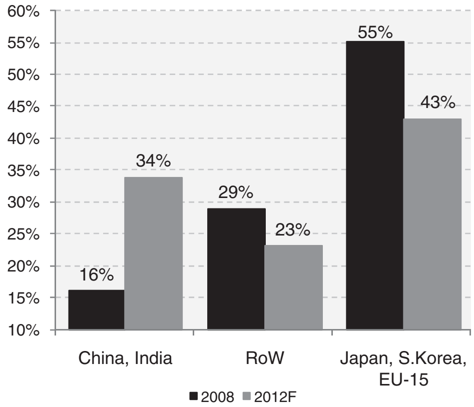
In the long term, it is expected that the key market drivers may be China's and India's increasing reliance on coking coals and the lack of domestic coking coal supply to meet the demand of these two countries.

Figure 1: Estimated Demand Growth between 2008 and 2012



Source: AME Report

Figure 2: Global Traded Coking Coal Market Share in 2008 and 2012



Source: AME Report

Figure 1 and Figure 2 show where the growth in coking coal imports may come from over the period from 2008 to 2012. China, India and, to a lesser extent, South Korea together comprise over 58 mt of growth in global coking coal demand between 2008 and 2012 with greater market share over the same period.

Reasonable demand growth is expected for traded coking coal based upon an annual global growth rate of approximately 4.5% as predicted by the International Monetary Fund. This is expected to be driven by long-term sustainable increases in import demand in China and India. Given China's gradual depletion of domestic coking coal reserves and the lack of coking coal reserves in India, there may be a shortage of domestic coking coal supply to meet demand from these two countries especially for high grade coking coals. In addition, AME expects a steady demand recovery from traditional coking coal customers such as Japan, Europe and North America. Factors considered in AME's coking coal demand outlook include, amongst others, the following:

- China is expected to continue being a major factor in the internationally traded coking coal market. China's recent emergence as a net importer of coking coal has renewed optimism in the strength of demand but has caused supply shortages. AME assumes that China's coal industry may have insufficient production capacity to meet demand from its steel industry in the medium term. This could be driven by greater consolidation in the steel and coal mining industries. Ongoing coal mine safety campaigns and government pressure to close smaller, inefficient and unsafe coal mines may result in a lack of high-rank, high-quality coking coal supply;

- In 2010, over 1600 Chinese coal mines are estimated to have been closed, representing approximately 155mt of domestic production capacity. To counter a drop in domestic coal production, production at the remaining coal mines have been ramped up. However, Chinese coal mines have already shown signs of decreasing coal quality and greater difficulty in mining as existing high quality and easy to mine coal reserves are being exhausted. This may lead to higher overburden ratio and operating cost for domestic coals, making import coking coal more attractive;

- Demand in Indian is also expected to be important, driven by a lack of domestic hard coking coal production and an ambitious steel industry expansion program. The Indian Government's National Steel Policy aims to increase annual steel production to over 100mtpa by 2020. Given that India lacks domestic supply of high-quality coking coal, India is likely to be highly dependent on imported coking coal.

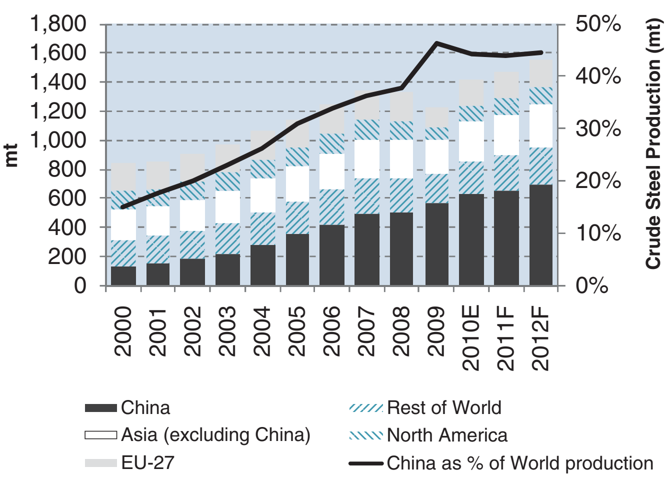
• Traditional coking coal customers such as those in Europe, Japan and North America have shown signs of recovery from the global financial crisis and returning to the seaborne coking coal market. Major coking coal producers have seen strengthening of re-stocking cycles in these countries, reflective of market stability and increased consumption. However the expected long-term growth in these developed countries is expected to be relatively flat, especially in the Europe region;

• Scarcity of premium hard coking coal is expected to have two implications. Firstly, the shortage may place greater demand pressure on high-quality coking coals and widen the premium for hard coking coal over coal with lower grades. Secondly, it may create a "flow-on" effect to other types of coking coals, driving demand for semi-soft and semi-hard coking coals and PCI coals, as a greater proportion of softer coals are used in coke blends; and

• Due to the scarcity of high-ranked coking coals, coupled with strong demand, steel makers have been evaluating coke mixes with larger proportions of lower ranked coking coals. The evaluation of new coke mixes is likely to be driven by potential cost-saving considerations. Increased acceptance of such new coke mixes may support growth in demand for lower-ranked coking coals such as semi-soft and semi-hard coking coals and high and low volatile PCI coals.

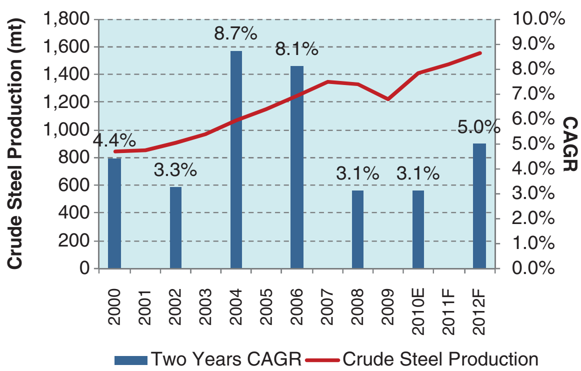
Global crude steel production is estimated to have increased by around 16% in 2010 as the world economy emerges from recession and GDP reverts to trend. Figure 3 shows that crude steel production fell around 8% in 2009 to 1.2 bt but recovered to approximately 1.4 bt in 2010. Crude steel production growth is expected to steadily increase at approximately 5% during the period between 2011 and 2012. In 2010, an estimated 240mt of coking coal was traded. AME estimates that global coking coal imports may grow at approximate 5 to 6% over 2011 to 2012.

Figure 3: Global Steel Production 2000 to 2012



Source: AME Report

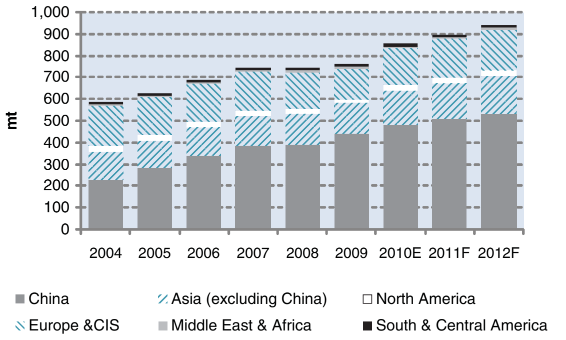
Figure 4: Global Steel Production and Growth Rates 2000 to 2012



Source: AME Report

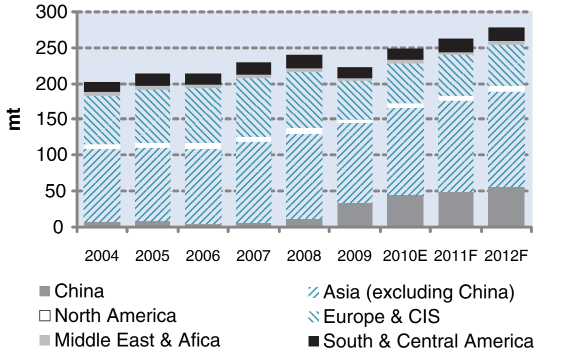
Over the longer term, as shown in Figure 6, AME expects coking coal demand growth to stabilize at lower and more sustainable levels. China is expected to maintain a significant position in the global seaborne market. Beyond the short term, AME expects that Chinese demand for coking coal imports may be driven by a fundamental shortage in domestic coking coal reserves, particularly of hard coking coal, beyond the short term. The proportion of high-quality coking coal used in a typical Chinese coke blend is greater than the proportion of high-quality coking coal that is estimated to comprise the Chinese coking coal reserve base. This potential lack of coking coal reserves increases the likelihood of China continuing to depend on coking coal imports. The economic recovery of Europe and North America is also likely to add to stable long term demand growth.

Figure 5: World coking coal consumption 2004 to 2012



Source: AME Report

Figure 6: Internationally traded coking coal demand 2004 to 2012



Source: AME Report

Reserves

The process of quantifying minable coal is based on the assessment of several criteria including factors such as site geology and mining and economic viability. The quantity of coal deposited for a certain area and the amount of mineable coal may vary depending on the resource measurement criteria applied. The basis of resource and reserve assessment and classification applied varies from country to country.

References made to coal "resource" or "reserve" in this report refer to generally recognized definitions stated below (unless stated otherwise);

- Resource: This refers to coal that may be present in a deposit or a coalfield. This does not take into account the feasibility of mining the coal economically. Not all resources are recoverable using current technology.

- Reserve: This represent a part of resources that are economically viable to mine at a given point in time. Reserves can be defined in terms of proved (or measured) and probable (or indicated) reserves based on exploration results and the degree of confidence in those results. Proved reserves are considered to be highly confident of being recoverable economically, under current market conditions.

The data series for reserves and resources in this report does not necessarily meet the definitions, guidelines and practices used for determining reserves and resources at company level, for example the JORC Code (the Joint Ore Reserve Committee of the Australian Institute of Mining and Metallurgy) which has been adopted by the Australian and New Zealand Stock Exchange; UK accounting rules contained in the Statement of Recommended Practice, 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' (UK SORP) or as published by the US Securities and Exchange Commission. Rather, the data series has been developed by compiling a combination of third-party and country based data sources, which do not necessarily identify the specific resource measurement method used. At the reserve or resource stage (i.e. unmined coals), given the different classification of reserves between countries and different levels of coal treatment chosen by mine operators, it is difficult to clearly distinguish and classify unmined coals into coking and thermal coals. Such determinations are generally made at the production level, and even at this point, a thermal coal may be used in steel making.

At the end of 2009, total proven (i.e. economically recoverable) reserves of coal for the world were estimated to be approximately 826 bt, and of this total, global hard coal reserves accounted for approximately

411 bt of reserves of the total. Hard coal consists of anthracite and bituminous coal which includes both coking and bituminous thermal coals.

According to AME estimates for 2009, the hard coal reserve base for Russia and Australia was approximately 49 bt and 37 bt respectively. Russia is considered to have the third largest reserve base of anthracite and Bituminous Coals after the US and China, which have a reserve base of approximately 109 bt and 62 bt, respectively. Mongolia is estimated to have potential total coal reserves of approximately 100 bt. Most reserves are reported to be economically recoverable. For example, Tavan Tolgoi coal deposit has a proven reserve base of over 6 bt comprising coking and thermal coals. Despite a recent increase in exploration activity, especially in Mongolia, Mozambique and Australia, total reserves of hard coals have decreased by approximately 21% from reserve levels in 2000. The greatest fall in reserves came from Europe (excluding CIS countries) while reserves in Asia and Australia fell by approximately 18%.

Supply

The expected shortage of coking coals has spurred suppliers to attempt to expedite plans for new supply through numerous brownfield expansions and new projects in Australia, Canada, the US, Russia, Mongolia and Mozambique.

AME believes the buoyant global market and high prices have initiated various plans to restart idled or closed mines over the next three years.

Despite the large numbers of potential coking coal projects, growth in export supply is subject to the following two key limiting factors:

- Availability of rail and port infrastructure to support increases in production capacity. There are however several upcoming infrastructure developments due to become operational in the medium term. The scarcity of supply has led to a growing emphasis on accelerating the development of new rail and port infrastructure to help ease the bottlenecks. This is especially evident along the east coast of Australia.

- Accessibility of capital funding. Following the global financial crisis, the appetite for high-cost capital investments (including mine and infrastructure developments) has changed. Additional requirements and processes have made financing relatively less accessible. The relative challenge of securing development funding has had a direct impact on some producers, who have delayed or cancelled brownfield expansions and new projects over the last 24 months.

Seaborne coking coal supply on the seaborne market has generally been dominated by Australian coking coals. Other major suppliers of internationally traded coking coals include Canada, the US and Russia. Growth in seaborne coking coal supply from Canada and the US has been relatively flat compared to the increase in exports from Australia since the 1990's. Over the medium to long term, Australia is expected to maintain a significant role in the supply of internationally traded coking coal with additional coking coal supply stemming from Mongolia and Mozambique. Most of the Mongolian coal supply is expected to be absorbed by China, while Mozambique is likely to be a key supplier to India.

In the medium term, coking coal exports from Russia is likely to maintain its importance to steel producers in Eastern Europe and the CIS while it tries to increase export volumes to Asia. This is evidenced by continued coal trading between Russian coking coal suppliers and Japanese steel producers, recently settling quarterly contract price for low-volatile PCI at around US$170/t FOB for the quarter ending September 2010.

However, due to a government crackdown on mine safety (following the explosions at the Radpadskaya mine in 2010) and the remoteness and infrastructure constraints (which are aggravated by the remoteness of eastern coal mines), Russia is not expected to be a significant supplier to the seaborne coking coal market in the short term.

The US has long been regarded as a swing-supplier. The shortage of seaborne coking coal as a result of flooding in Australia has seen the increase in the demand for the US coking coal in the 2010 December quarter. In turn, some companies in North America have revised their 2011 coking coal sales forecast to reflect the expected benefit of the strengthened seaborne coking coal market. In the medium to long term, US may gradually reduce its coking coal exports as producers in Mozambique and Mongolia emerge in the export market. The severe short term shortage of export coking coal will mean American exporters will remain important, at least until new Mozambican and Mongolian supply is established in the seaborne market.

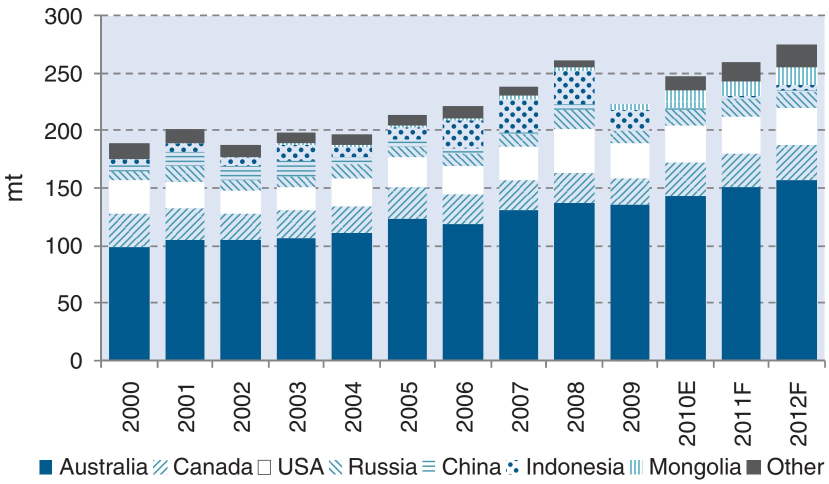
Canada's market share will remain relatively flat given its exposure to Europe, where steel production growth is likely to be slower and less pronounced than in developing Asia. However, like all suppliers, Canadian producers are benefiting from increased Chinese demand and relatively lower freight rates. Given a comparatively higher cost of production, exporting from Canada is typically economical only during strong market conditions or when freight costs are low.

Australia has historically been the largest coking coal supplier to the seaborne market. In 2009, Australia exported approximately 125mt coking coal, accounting for approximately 56% of global coking coal exports. We expect that Australia is likely to remain as a major coking coal supplier in the short to medium term. Despite the availability of potential coking coal supply streams in the country growth in export coking coal supply is limited by issues of port and rail access and accessibility of financing.

Coal producers from Asia and Oceania are expected to have contributed significantly to supply growth in 2010. Combined, the two regions are expected to account for over 65% of total global coking coal supply. Australia, the largest supplier of seaborne coking coals is estimated to have increased its output in 2010 by around 12% to meet demand growth from Asian countries.

As shown in Figure 7 below, Mongolia is emerging as a new supplier in the world coking coal market. If sufficient infrastructure is developed to alleviate transportation bottlenecks, the volume of Mongolian coking coal exports is expected to increase.

Figure 7: Coking Coal Exports by Key Countries 2000 to 2012



Source:AME Report

Transportation

The majority of coking coal traded is conducted via seaborne trade routes. Australia is the largest exporter of coking coal in the seaborne market, accounting for over 50% of global coking coal export supply. Australia supplies coking coal mainly across the Pacific region.

As shown in Figure 8 below, key global seaborne trade routes include the route from Eastern Australia to Northeast Asia, including China, Japan and South Korea, the route from Indonesia to Northeast and the Atlantic region, the route from South Africa to Europe and Asia, the route from the US to Northeast Asia via the Pacific ocean, the route from Canada to Europe and Asia, and the route from China to Northeast Asia.

Land-based coking coal routes are typically used amongst countries of the CIS, Europe and Northern Asia, principally Mongolia and China.

Figure 8: Key World Coking Coal Trade Routes

CHINESE COKING COAL INDUSTRY OVERVIEW

Pricing

In China, there are two types of pricing for coking coal: term contracts and spot sales. Large coal mining companies usually sign long-term contracts, typically for one year, with coke plants or steel makers. Generally, the term prices are lower than spot prices, but prices are adjusted through negotiation if there are significant market changes.

Spot prices in China may differ between regions. Numerous grades and differing properties of coking coals between regions contribute to price variations. On a general basis, coal produced in Northeast China are priced higher. Generally, coking coals in the North and Northeast China are better in quality and have more consistent seam lines, while coals sourced from the southwest, near the Tibetan border, and southeast are typically lower quality coals.

Table 4: Estimated Spot Price(1)—by Region and by Coal Type

Province/City	Clean 1/3 Coking Coal	Province/City	Clean Coking Coal
Hebei	1,380	Hebei	1,469(2)
Inner Mongolia	1,084	Inner Mongolia	1,260
Liaoning	1,300	Linfen	1,550
Linfen	1,400	Taiyuan	1,445
Shandong	1,394		

Source: AME Report

Note: Prices are provided on a FOR basis (RMB per tonne including VAT, as at July 2011).

(1) An estimate of average spot prices by region and by coal type has been provided.

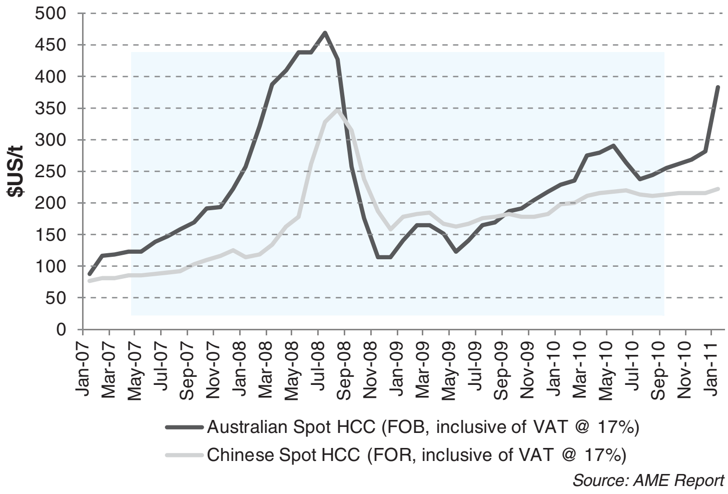
(2) Ex-works price basis.

In the seaborne market, recent coking coal price increases and tight supply conditions have affected the Australian spot market. Annual average spot prices for Australian hard coking coals exports increased by approximately 54%, from US$144/t in 2009 to around US$222/t in 2010 (excluding VAT). These price increases have affected China to a lesser extent where average annual spot prices increased by around 20% in 2010 from the previous year. This is reflective of the scarcity of hard coking coals and China's appetite for coking coal imports. Notwithstanding relatively higher prices, China has continued to import Australian hard coking coals.

After peaking in May 2010, Australian hard coking coal spot prices fell during June and July, reaching an average of around US$237 per tonne (inclusive of VAT) in July. However, the spot priced strong recovery in the later part of 2010. More recently, following the impacts of heavy rainfalls in North Queensland, spot price for Australian premium hard coking coals reached highs of around US$380/t during January 2011.

Spot price of Chinese hard coking coal equivalent spot price fell from June 2010, reaching an average of around US$213 per tonne FOB (inclusive of VAT) in July 2010. Chinese hard coking coal prices remained relatively stable at the US$210/t to US$214/t range in the second half of 2010. Prices have shown an increase in January 2011 reaching around US$223/t (inclusive of VAT).

Figure 9: Historical Spot Price—Australian Hard Coking Coal vs China Hard Coking Coal Equivalent



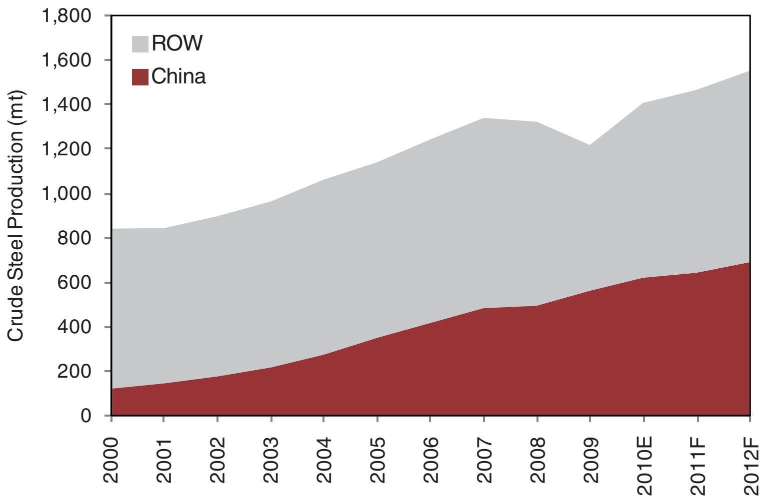
Demand

China's recent emergence as a net importer of coking coal has renewed optimism in the strength of demand but has caused supply shortages in the medium term. Chinese demand, combined with the economic recovery of traditional coking coal importers such as Europe, North America and Japan, have amplified the shortage of high-quality coking coal. AME predicts China may continue to be a major player in the internationally traded coking coal market as demand from Chinese steel production is expected to exceed domestic coking coal production.

By producing approximately 627 mt of crude steel in 2010, China accounted for approximately 44% of the world's total crude steel output, a sharp increase from 2008, when China produced approximately 38% of global crude steel. Significant increase in market share was experienced in 2009 as China continued to increase its crude steel production by around 14% while crude steel production in the rest of the world decreased by estimated 20%. Despite a robust increase of over 10%, China's share of global crude steel production decreased in 2010 as steel producers in the rest of the world showed signs of recovery.

Over the next five years, the global steel market is expected to witness increases in steel output to meet recovering steel demand. As shown in Figure 10, Chinese crude steel production may reach an estimated 696 mt in 2012. In AME's view, China's steel industry has matured and although future growth may continue, it is likely to be at a slower pace than the rapid growth experienced between 2000 and 2007. Future increases in new steel production capacity are expected to be heavily regulated by the Chinese government.

Figure 10: Global Crude Steel Production 2000 to 2012



Source:AME

Table 5: Top 10 Steel Producing Provinces

Provinces / City	Crude Steel Production (mt) 2005	2006	2007	2008	2009	2010E	*2010 Domestic Production Share*
Hebei	74	91	107	116	138	145	*23%*
Jiangsu	33	42	47	49	55	62	*10%*
Shandong	32	38	44	45	50	53	*8%*
Liaoning	31	38	41	41	49	52	*8%*
Shanxi	17	20	25	23	26	30	*5%*
Hubei	16	17	18	20	20	25	*4%*
Henan	12	18	23	22	23	23	*4%*
Shanghai	19	19	21	20	20	22	*4%*
Tianjin	10	13	16	17	19	22	*3%*
Anhui	11	13	17	18	18	19	*3%*
Top-5 Total	**186**	**229**	**265**	**273**	**319**	**342**	*55%*
Top-10 Total	**254**	**307**	**359**	**369**	**419**	**453**	*72%*
China	**356**	**423**	**489**	**500**	**568**	**626**	

Source: AME Report

Increasing Chinese demand may exert significant influence on the global hard coking coal export market, with the potential displacement of hard coking coal demand towards lower-quality coking coals. In addition to China's lack of high-quality coking coal reserves, there are two other key drivers AME considers pertinent:

- Industry consolidation in Chinese coal sector: Increased consolidation in the coal mining industry is also occurring. For instance, Shanxi province, China's largest coal-producing province, is planning measures to expedite the closure of smaller and unsafe coal mines and consolidation within the coal mining industry, which could lead to an estimated 30% reduction in raw coal output from Shanxi province; and

- Increased competitiveness of hard coking coal seaborne imports due to relatively lower freight rates: China's new steel production capacity is under continuing expansion in the eastern coastal regions, closer to ports, and utilities. This is likely to increase the competitiveness of Australian coking coal producers compared to local suppliers from Shanxi and Inner Mongolia. Similarly, the emergence of Mongolia as a significant producer of coking coal is supporting the competitiveness of coking coal imports.

Table 6 and Table 7 below provide an estimated outlook on estimated life of reserves remaining and the amount of coking and hard coking coals required by China, respectively.

Table 6: Chinese production of low-volatile coking coal and fat coal 2008 to 2012

	Estimated Primary coking coal production (mt)	Estimated fat coal production (mt)	Estimated growth in coking coal industry	Estimated hard coking coal reserves (mt)	Estimated life of reserves[(1)] (yr)
2008	95	40	2%	3,216	17
2009	101	43	7%	3,030	17
2010	108	46	6%	2,802	13
2011	113	48	5%	2,564	11
2012	117	50	4%	2,308	10

Source: AME Report

Note:

(1) For simplicity in this piece of analysis, AME assumes the proportion of low-volatile coking coal and fat coal remains constant to 2012. Growth rates are based on of AME's forecast for the production of all types of coking coal. "Life of reserves" calculated based on previous year's consumption.

Table 7: Chinese steelmaking coal requirements 2008 to 2012

	Estimated pig iron production (mt)	Estimated coking coal requirement[(1)] (mt)	Estimated hard coking coal requirements (mt)
2008	469	366	183
2009	544	424	212
2010	586	457	228
2011	610	476	238
2012	655	511	256

Source: AME Report

Note:

(1) Coking coal requirement based on 1.3 tonnes of coking coal required to produce 1 tonne of coke and 0.6 tonnes of coke to produce one tonnes of pig iron. Pig iron production refers to AME's forecasts.

Similar to the growth in steel production, Chinese consumption of coking coal is expected to increase over the next one to two years. In the longer term, Chinese coking coal consumption growth is expected relatively subdued as the Chinese economy matures and steel production slows.

Reserves

Classification and estimation of reserves may vary country-to-country due to different quality standards. According to Chinese-based data, Chinese coking coal reserves totalled approximately 62 bt in 2008. An estimated breakdown of China coking coal reserves by regions is provided in Table 8 below.

Similar to general international standards, the China Solid Mineral Resource or Reserve classification system is based on economic viability, geological knowledge and relative confidence in the feasibility or exploration results. China generally classifies mineral resources or reserves into three classes, reserves, basic reserves and resource reserves.

Table 8: Estimated China Coal and Coking Coal Reserves (bt)

Region	Coking Coal Reserves(1)	Coking Coal Basic Reserves(2)	Coking Coal Resource Reserves(3)	Total Coking Coal Identified Reserves(4)	Total Coal Identified Reserves(4)
Beijing	-	-	0.1	0.1	2.3
Tianjin	-	0.3	0.1	0.3	0.4
Hebei	1.3	3.5	5.1	8.6	14.6
Shanxi	33.2	60.7	92.9	153.6	263.4
Inner Mongolia	2.1	3.9	3.3	7.1	289.3
Liaoning	1.1	1.9	0.5	2.4	7.1
Jilin	0.2	0.3	0.2	0.6	2.9
Heilongjiang	0.9	4.8	4.7	9.5	22.0
Jiangsu	1.0	1.8	1.8	3.6	3.7
Zhejiang	0.0	0.0	0.0	0.1	0.1
Anhui	4.1	10.1	9.9	20.0	25.2
Fujian	0.0	0.0	0.0	0.0	1.2
Jiangxi	0.3	0.5	0.3	0.8	1.4
Shandong	4.2	9.2	9.8	18.9	24.7
Henan	2.4	3.8	5.5	9.3	26.0
Hubei	0.0	0.1	0.1	0.2	0.7
Hunan	0.2	0.4	0.3	0.7	3.1
Guangdong	0.0	0.0	0.0	0.0	0.6
Guangxi	0.0	0.1	0.1	0.1	2.3
Sichuan	0.9	1.5	1.3	2.8	10.8
Chongqing	0.3	0.6	0.6	1.2	3.0
Guizhou	3.9	6.2	3.7	9.9	51.4
Yunnan	1.9	2.9	2.4	5.3	26.8
Tibet	-	0.0	0.0	0.0	0.1
Shaanxi	1.2	2.0	3.3	5.3	165.8
Gansu	0.3	0.5	0.7	1.2	10.7
Qinghai	0.3	1.1	2.5	3.6	4.9
Ningxia	0.7	1.7	2.2	3.9	31.2
Xinjiang	1.0	2.7	6.7	9.4	161.0
Hainan	-	-	-	-	0.2
Shanghai	-	-	-	-	-
TOTAL	**62**	**121**	**158**	**279**	**1,157**

Source: AME Report

Notes:

(1) "Reserves" means the actual recoverable quantity of coking coal.

(2) "Basic Reserves" means resource reserves that have been indicated or proven (reserve is a subset of basic reserves).

(3) "Resource Reserves" means reserves of lower confidence and marginal economic viability.

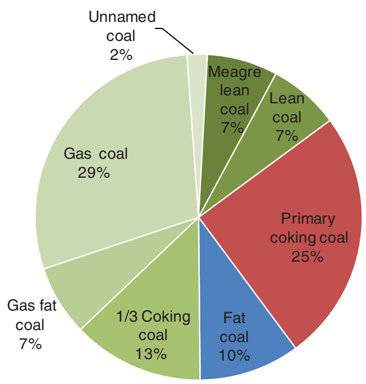
(4) "Total Identified Reserves" is the sum of Basic Reserves and Resource Reserves.

Considering the depletion of coking coal reserves and the relatively high use of coking coal in Chinese blast furnaces there is a growing concern that there may be a lack of domestic coking coal supply in the long term. As a result, the Chinese Government over its five-year plans has been driving towards further resources exploration in western regions of China and further consolidation and elimination of small and inefficient mining and steel operations. Such move is expected to achieve economies of scale through centralization in production and demand of raw materials. In the long term, consolidation of steel producing capacity will translate to larger blast furnaces which requires higher percentage of high quality coking coals.

China's domestic coking coal resources lacks low-to-medium volatility, high-fluidity hard coking coal. This may be an issue as the Chinese steel sector moves towards increased consolidation and larger blast furnace sizes. Larger blast furnaces require the use of higher-quality coking coals to maintain the burden strength. Proportionally, China generally uses more high-quality coking coal in the production of its typical coke blend than it has as reserves. This potential lack of hard coking coal reserves indicates the likelihood of China's continued dependence on coking coal imports.

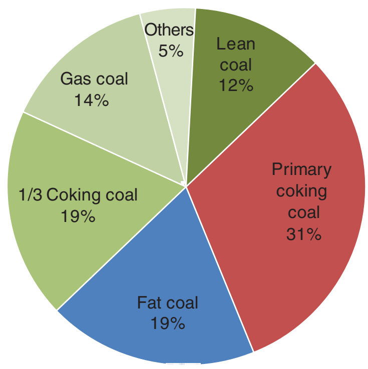
Figure 11 and Figure 12 below represent the estimated Chinese coking coal reserves by type and the estimated typical Chinese coke blend, respectively. The primary coking coal and Fat Coal are Chinese termed names and are relatively equivalent to hard coking coals. While these coals represent only one third of Chinese reserves, they represent approximately half of the coke blend. This raises concerns over the long-term availability of domestic premium coking coal supply. In addition, the typical Chinese coke blend could increase its hard coking coal proportion as the Chinese steel industry modernizes with the addition of larger blast furnaces, which may add to the pressure on the long-term supply of domestic premium coking coal. Larger blast furnaces require the use of higher-quality coking coals to maintain the burden strength.

Figure 11: Estimated Chinese Coking Coal Reserves by Type



Source: AME Report

Figure12: Estimated Typical Chinese Coke Blend

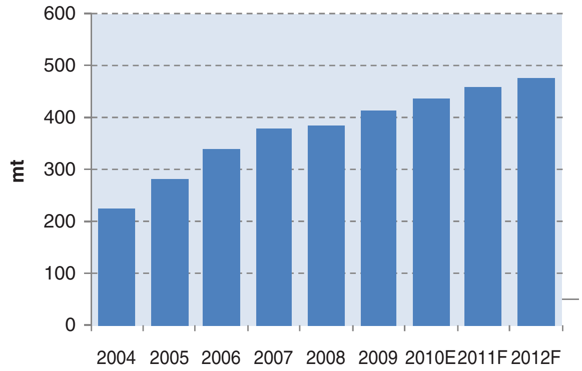


Source: AME Report

Supply

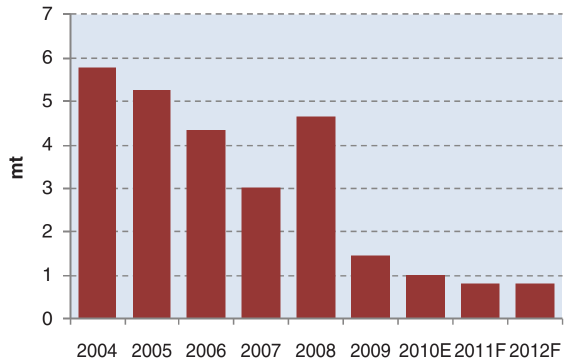
Insufficiencies in Chinese domestic coking coal production may be driven by greater consolidation in the coal mining industry. Ongoing coal mine safety campaigns and growing government pressure to close smaller, inefficient and unsafe coal mines are expected to add to the lack of high-rank, high-quality coking coals. Over the longer term, the depletion of Chinese hard coking coal reserves could add to China's dependence on coking coal imports. This is particularly the case for premium hard coking coals, as they account for around 40% to 50% of the coke blend.

Figure 13: Chinese Coking Coal Production 2004 to 2012



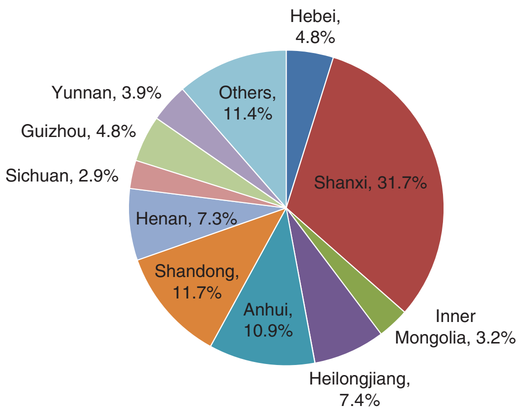
Source: AME Report

Figure 14: Chinese Coking Coal Exports 2004 to 2012



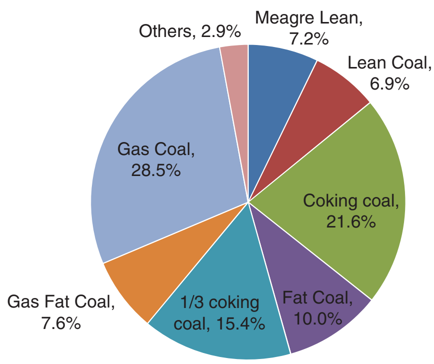
Source: AME Report

Figure 15: Estimated Percentage of Chinese Coking Coal Production by Region



Source: AME Report

Figure 16: Estimated Percentage of Chinese Coking Coal Production by Coal Type



Source: AME Report

Given China's crude steel production targets, growth in China's demand for coking coal is expected to exceed potential increases in domestic coking coal supply. This is reflected in the expectation that China is likely to continue to be a net importer of coking coal.

Growth in China's domestic supply of coking coal is expected to be limited. In the short term, the consolidation of the coal industry is likely to restrict the growth potential of China's domestic coking coal supply. However, the expansion of larger and more productive mines that remain post-consolidation will likely be easier to implement and may lead to relatively higher yields. In the longer term, the availability of coking coal reserves is likely to be a limiting factor on supply growth.

Imports

Chinese demand for coking coal imports is estimated to increase by over 20% to over 44 mt in 2010. As shown in Figure 17 below, coking coal imports have grown by over four times since 2008 when China had less than a 3% share of the global coking coal trade market. This increase is due to the shift in purchases by Chinese steel plants away from the tight domestic coal market and towards the overseas market in 2009.

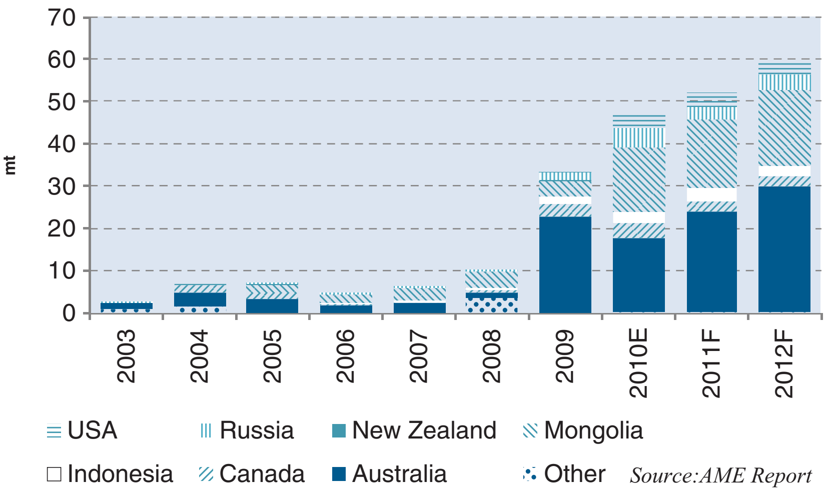
AME forecasts China's share of the global coking coal trade may grow to approximately 19% in the medium term and rise over 24% in the long-term. AME expects long-term demand for coking coal may be supported by shortages in domestic reserves and supply, particularly of premium hard coking coal. Factors considered in AME's coking coal China imports outlook include, amongst others, the following:

- As growth in domestic coking coal production gradually slows, growth in coking coal imports is likely to consequently increase to satisfy the growing demand. By 2012, China may import around 55 mt of coking coal;

- In the long run, it is expected that China may maintain its position as a key importer of coking coal. This is not only because China lacks high-quality hard coking coal, but also because much of China's new steel production is expected to be located on the east coast, closer to ports, energy and water sources. With sea freight rates expected to remain depressed for some time, the competitiveness of Australian producers compared to mines in Shanxi and Inner Mongolia is likely to increase; and

- The emergence of Mongolia as a significant coking coal supplier to China may displace relatively less competitive countries such as Canada and the US, which have generally been swing suppliers of coking coal in the seaborne market, particularly in the Asia-Pacific region.

Figure 17: China Coking Coal Imports 2003 to 2012



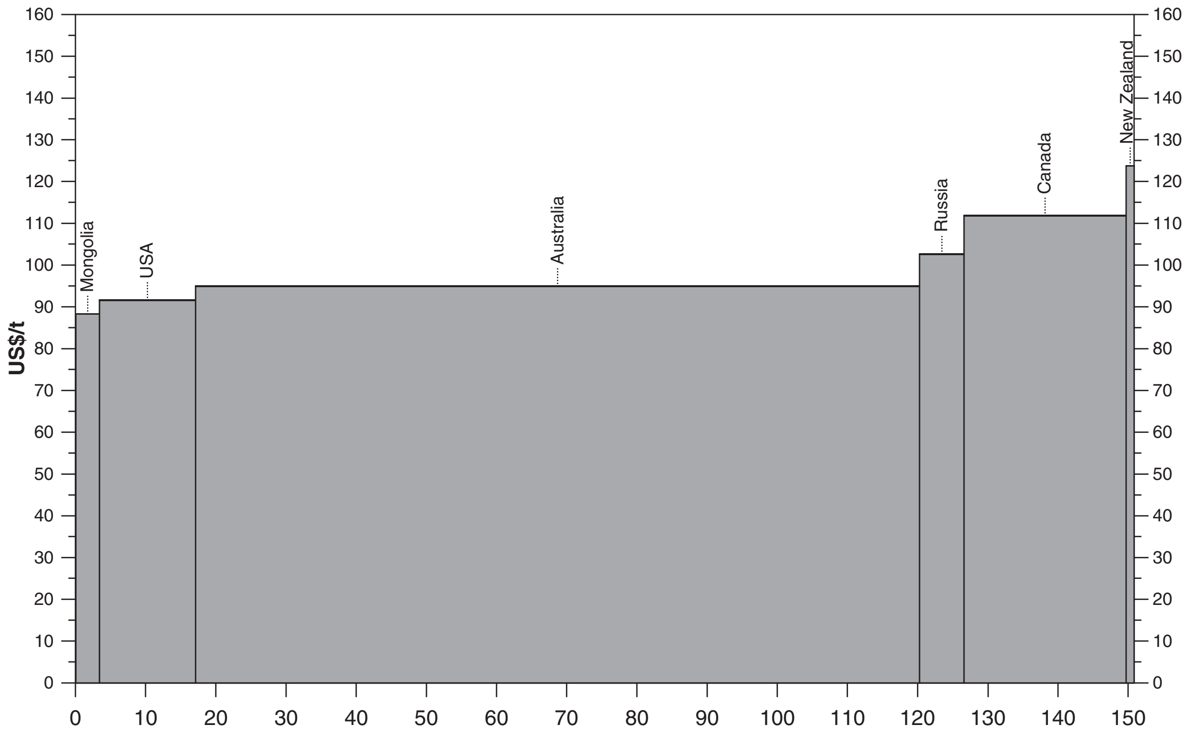
Source:AME Report

Cost Benchmarking

Figure 18 below represents a preliminary operating cost analysis performed by AME in which Mongolian operating costs are compared to other hard coking coal export countries along a "cost curve".

Based on a preliminary operating cost analysis of hard coking coal export countries, Mongolian hard coking coal cost, at approximately US$88/t CIF to Hebei area in China, is relatively less expensive when compared to other major coking coal exporters on a per tonne CIF basis to China. Assuming delivery to the Hebei area in China, coking coals from United States is estimated to be slightly less expensive than Australia at around US$91/t. Australian hard coking coal cash cost is estimated to be in the order of around US$95/t CIF, the cost is impacted by disruptions in production during the December quarter of 2010 due to adverse weather conditions. Russian hard coking coal cash cost is also relatively high at around US$103/t CIF as increasing health and safety regulations hindered production during the year. The Canadian CIF cash cost to China is estimated to be approximately US$112/t including port handling and rail within China.

Figure 18: Estimated Export Hard Coking Coal Mine Cash Costs by Country (US$ per tonne CIF)



Source: AME Report

Notes:

(1) Figure 18 illustrates the global hard coking coal industry cash costs based on estimated company operating cost breakdowns, including labor, mining and processing, royalties, haulage, freight and port handling. The estimated cost position of Mongolia is shown as a grey strip along the cost curve. The cost curve is based on 2010 calibrated and benchmarked cash costs and subsequent updates.

(2) Mongolian hard coking coal CIF cash costs are estimated to be approximately US$80-90 per tonne based on available relevant information.

(3) To construct cost curves and undertake industry analysis, AME analysts compile information from a variety of sources, including reports made available by producers, direct contact and trade publications. Consequently, AME makes no warranty or representation regarding this cost curve or metallurgical coal industry information, and it should not be relied upon. In addition, the time required to produce cost curves means that even the most recent available examples will be unable to take account of recent developments. In some cases, the most recent available cost curve may be based on data that is several years old. Cost data for specific producers may be based on costs incurred by the producers over their respective accounting years; to the extent these differ, the direct comparability of their costs may be limited. Moreover, all cost curves embody a number of

significant assumptions with respect to exchange rates and other variables. Thus, the manner in which cost curves are constructed means that they have a number of significant inherent limitations.

(4) Cost curves are based upon a set of assumptions and limited data, and as such are estimates of actual costs. Mongolian hard coking coal production costs are estimated to be around US$80-90/t based on available relevant information. AME's work uses a wide range of public domain and industry data sources. AME then compiles, interprets and analyses this data to make estimates of mines in production which may contain inconsistencies or be otherwise unreliable.

MONGOLIAN COKING COAL INDUSTRY OVERVIEW

Mongolia is considered by some market observers to be one of the last untouched frontiers in terms of potential coking coal supply. Recent surveys suggest that there are approximately 300 coal deposits identified across 15 coal basins stretching throughout Mongolia. Most of the coal resources are situated in the eastern and southern portions of Mongolia in proximity to China.

Given the insufficient supply of oil and natural gas, coal is considered to be Mongolia's main energy source. As a country of an estimated 2.7 million people with relatively little industrial activity outside of agriculture and mining, growth in domestic consumption of coal, especially coking coal, is likely to be limited.

It is only since 2004 that Mongolia began expanding coal production to cater to the export coal market. Approximately 162.3 bt of coal resources have been recognized. Preliminary and detailed exploration activities in 2008 show a coal reserves base of approximately 23 bt. Proved coal reserves account for approximately 12.2 bt, comprising of approximately 2 bt of coking coal.

Most of the Mongolian coal mines, including Tavan Tolgoi, are open-cut mines, where the majority of the coal deposits are close to the surface. Favorable mining conditions at open-cut mines allow miners to generally extract raw coals more economically than unground mines. Mongolian open-cut coal mines may also potentially expand production capacity relatively easily while keeping lower production costs.

Given the lack of infrastructure in the immediate term, including but not limited to established water and electricity sources, the development and commissioning of a coal processing facility in Mongolia may be challenging. However, given the premium for processed coals, a company has begun construction of a coal-handling facility which is expected to be commissioned in early 2011. At this stage, Mongolian coal producers typically supply raw coking coal directly to their customers.

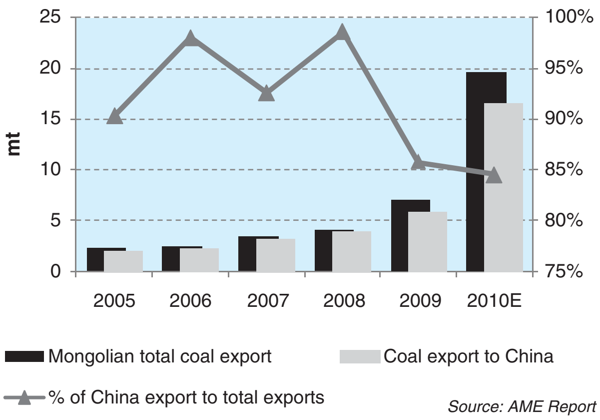
Mongolian Coal Trade

The key driver behind Mongolia's future production expansion is likely to be demand from China, and, to a lesser extent, demand from Russia, South Korea and Japan. Mongolian coal exports have been, and will likely continue to be, predominantly driven by Chinese import demand. As a landlocked country, the cost advantage of transportation and the relatively high premium coking coal demands from China have driven a robust growth in exports of coking coals from Mongolia.

According to the Mineral Resource Authority of Mongolia, exports of Mongolian coal commenced in 2003. For the period 2003 to 2008 coal exports from Mongolia have grown by approximately 52% CAGR. Total production of Mongolian coal in 2009 is estimated at approximately 13.2 mt, with exports accounting for approximately 7.0 mt or approximately 53% of the total production.

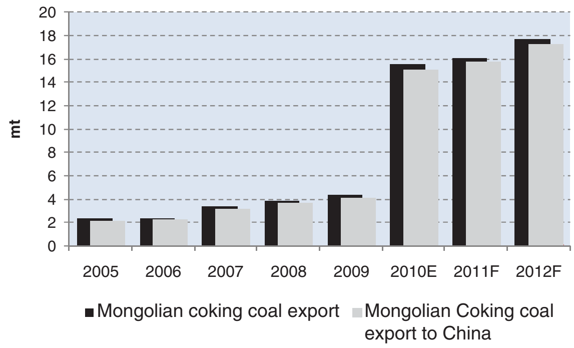
In 2003 and 2004 most or all of the Mongolian coal exported was earmarked for China. Other countries such as Russia began importing coal from Mongolia in 2005. Figure 19 shows that between 2005 and 2010, China accounted for an average of approximately 94% of total Mongolian coking coal exports. Approximately 85% of Mongolian coal was exported to China in 2010. Mongolian thermal coal export into China was approximately 1.5 mt in 2010.

Figure 19: Mongolian Coal Exports 2005 to 2010



Source: AME Report

Figure 20: Mongolian Coking Coal Production and Export to China 2005 to 2012



Source: AME Report

There has been a continuous increase in Mongolian production and exports to China. In 2010, Mongolian coking coal export into China reached over 15 mt, representing a growth over 250% year over year. Robust growth relative to previously conservative export growth rates are expected to continue in the short to medium term due to increased demand. In the long term, Mongolian premium coking coal supply at a competitive cost, may replace supply from other producing countries such as Russia and Australia.

In the short to medium run, robust growth is expected to continue amid increasing foreign and domestic investment in the Mongolia coal industry. Such investments are aimed at developing and expanding new and existing mines to complement high Chinese demand.

Mongolian Export Coking Coal Production

Given the buoyant market conditions, proximity to China and high demand growth from China aided by the possibility of exporting coking coal to Japan and South Korea, coal production in Mongolia is expected to accelerate in the future. However, AME believes the future production growth rate of Mongolian coal is subject to a number of limiting factors such as infrastructure and associated political factors.

Mongolia's total coal exports could potentially grow to over 30 mtpa over the next three to four years, subject to the outcome of privatization programs, other governmental policies and the extent of foreign investment.

In the long-term, Mongolian output could potentially ramp up to above 50 mtpa, subject to a range of issues, such as transportation infrastructure capacity.

Transport Infrastructure

Mongolia is landlocked by Russia to the north and China to the south. Neither rail system in the neighboring countries has sufficient additional capacity to cope with a large-scale expansion of Mongolian coal exports. The Mongolian Government is currently examining its railway policy to seek greater control over its assets. Investment in rail is believed to be premature as the Mongolian Government continues to debate over issues such as rail routes, gauge of lines and ownership of future links.

A high proportion of Mongolia's reserves have not been developed due to the lack of infrastructure. Most of the country's current small mines are limited by lack of infrastructure. According to the Ministry of Fuel and Energy of Mongolia, approximately US$1 billion of infrastructure investment is expected to be injected by 2012 or 2013. The development of the infrastructure projects will increase the volume of coking coal that Mongolia will be able to export.

RUSSIAN COKING COAL INDUSTRY OVERVIEW

Russia has some of the largest coal reserves in the world, second only to the US, with a total coal reserve base of approximately 157 bt, of which 49 bt are hard coal reserves. In 2009, Russia is estimated to have produced 56 mt of coking coal. Approximately 82% of Russia's production of coking coal is consumed domestically, with the remaining being less than 10 mt being exported mainly to Europe and Northern Asia. Historically, Japan has been the largest importer of Russian coal, followed by European countries such as Romania, Bulgaria, Finland, Spain and Greece. Russia is also reported to supply coking coal to North Korea.

There are close to 300 mines in Russia, three quarters of which are underground mines. Nearly 75% of Russia's proven coal reserves lie in the coal basins east of the Urals in the Siberian Region. Major coal producing basins in this region include the Kuznetski, Kansk-Achinsk and Irkutsk, in the south-central part of Russia, and the South Yakutsk coal basin, in the far-east. With the exception of Kansk-Achinsk, the remaining coal basins produce Bituminous or Anthracite Coal.

In addition, the two most significant and predominately undeveloped basins are the Tunguski and Lenski, both of which lie in the north-central and north-eastern portions of Russia in Western Siberia and the Russian Far East, respectively. These basins are considered to be the two largest in Russia in terms of both area and coal resource potential.

Russian Coal Trade

Russian coking coal exports fell by an estimated 5% in 2010 due to government's limitation on export volume and increasing scrutiny on mine health and safety after the explosion at the Raspadskaya operation.

For the first time, Japanese fiscal year 2009, Russian producers started to negotiate long-term coking coal contracts with Japanese steel makers. Hard coking coal prices were settled at mid-US$90s, while low-volatile PCI prices yielded US$80 to 85 per tonne. In order to maintain operational ratios, Russian hard coking coal needed an outlet and given the downturn in European demand, Asian steel makers became the desired destination. In further signs that Russian producers are targeting Asian steel makers, Russian suppliers had settled on a quarterly contract price for low-volatile PCI coal for the March quarter of 2011 with Japanese steel makers.

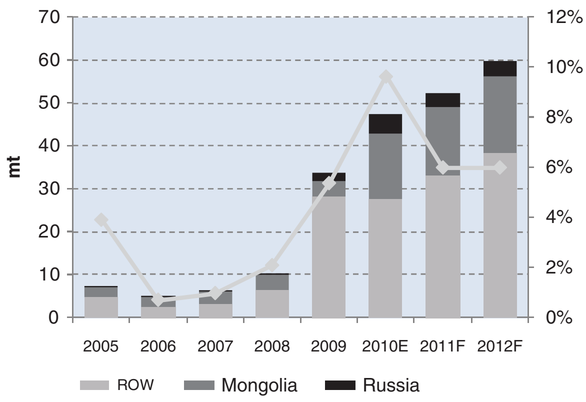
Russian Export Coking Coal Production

As shown on Figure 21, by 2012, AME forecasts Russia's coking coal exports to reach approximately 15 mt, approximately 48% of which is expected to hard coking coal. AME believes Russia's coking coal may be required to a greater extent if demand is stronger than expected.

Figure 21: Russian Coking Coal Exports 2000 to 2012

Source: AME Report

Figure 22: China Coking Coal Imports 2005 to 2012



Source: AME Report

Russian coking coal exports are expected to grow at around 4% to 5% CAGR between 2009 and 2012. At this time, exports is likely to be approximately 15 mt. In addition to concerns about the abundance of high-quality coal reserves, the growth of Russia's coking coal exports may be limited by the following factors:

- Russian's primary rail transportation is the Trans-Siberian Railway which extends from west to east across the southern portion of the country and several railways which serve the coal producing regions of south-central Siberia. The railways operate at close to capacity which may have an impact on Russian producers' ability to expand exports of coking coal;

- Currently there are around 40 seaports in Russia, among which approximately 20 can be used for coal transportation. Most of the 20 seaports are not ice-free year-around and only have the potential to handle panamax vessels;

- Transportation of coking coal through the Russian Far-East to Asia faces higher transport cost constraints due to longer haulage distances and limited availability of rolling stock such as wagons. These may constrain the ability of producers to transport coal to the Chinese market through rail and ports; and

- The winter season may have an impact on Russian coal exports. The severe weather conditions at times may pose certain challenges for Russian coal exports by disrupting normal operations of the port and railway systems. This may result in delays in coal shipments. In addition, freezing weather in Russia can adversely impact quality of delivered coal.

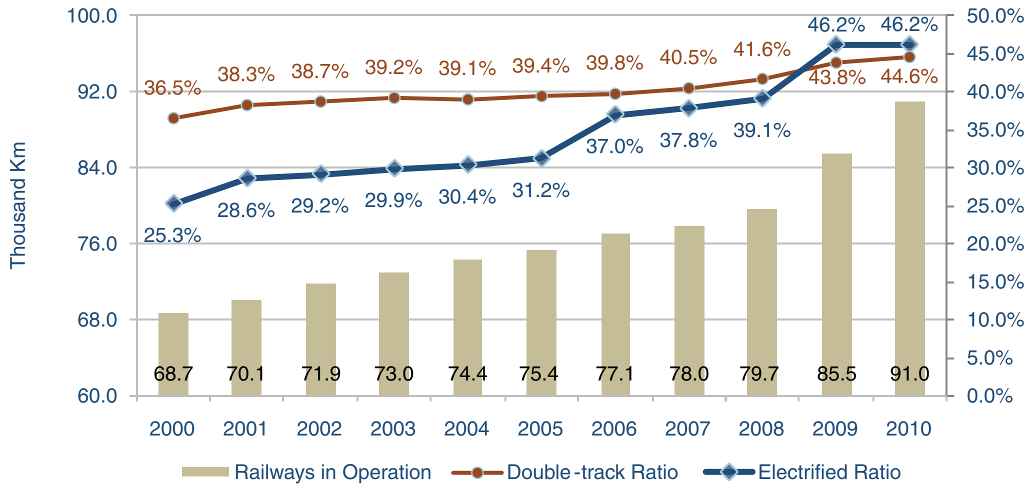
In the long-term, Russia output is likely to increase in the event that the above issues are resolved.

CHINESE RAILWAY SYSTEM OVERVIEW

China's Railway Infrastructure

According to Frost & Sullivan, as of 31 December 2010, China's railway network was the largest in Asia and the second largest in the world in terms of length, with 91,000 km of rail lines, or approximately 6.0% of the total length in the world. In 2011, China has budgeted RMB700 billion for investments into railway infrastructure, including 7,935 km of new lines. In addition, according to the Ministry of Railways, it is expected that China will complete electrification upgrade of approximately 8,800 km of existing lines and double-track upgrade of 6,816 km of existing lines and to bring 4,715 km of High Speed Railway ("HSR") lines into operation in 2011. Notwithstanding these expected additions and the sustained growth since the 1980s, China's railway length per capita was only approximately 12.2% of that in the US and 88.2% of that in India at the end of 2009. As such, Frost & Sullivan expects additional railway development driven by strong economic growth and increasing demand for freight and passenger transportation. Figure 23 shows railways in operation, the double-track railway ratio and the electrified railway ratio in China during the years from 2000 to 2010.

Figure 23: Railways in operation, double-track ratio and electrification ratio in China from 2000 to 2010

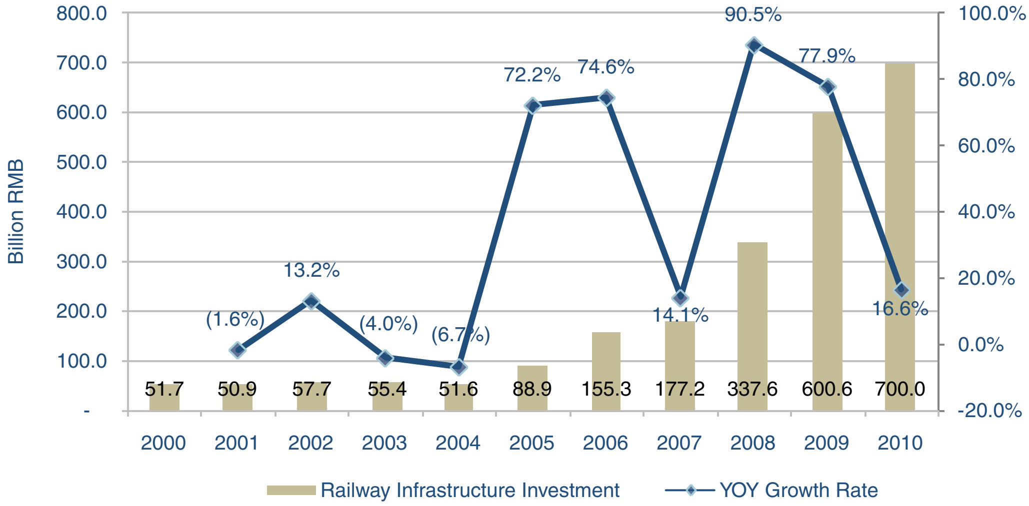


Source: Frost & Sullivan Report

HSR is a key area that is expected to drive the growth of China's railways in the next five years. The first HSR line in China began operation in 2003 and, as of the end of 2010, China had 8,358 km of HSR lines in operation, which was the largest HSR network in the world. According to the Mid/Long-term Railway Network Construction Plan (2003-2020), as modified in 2008, (中長期鐵路網規劃) published by the Ministry of Railways, China plans to have 12,000 km of HSR lines by 2015 and 16,000 km of HSR lines by 2020.

China's total railway length grew at a CAGR of approximately 2.9% from 2000 to 2010. In addition, investments in railway infrastructure increased at a CAGR of approximately 45.7% from 2006 to 2010. During this period, approximately RMB1,970.6 billion was invested into China's railways and approximately 16,000 km of new lines were commissioned, representing approximately 6.5 times and 2.3 times the investments in China's railways and new lines commissioned from 2001 to 2005, respectively. In addition, approximately 11,000 km of railways completed double-track upgrades and approximately 19,000 km of railways completed electrification upgrades in the period from 2006 to 2010, representing 2.3 times and 3.0 times of similar upgrades in the period from 2001 to 2005, respectively. Notwithstanding the investments in railways during the period from 2006 to 2010, Frost & Sullivan expects significant investments in railway construction to continue for the 2011 to 2015 five-year period. Figure 24 shows China railway infrastructure investment from 2000 to 2010.

Figure 24: China railway infrastructure investment from 2000 to 2010



Source: Frost & Sullivan Report

China has also experienced an increase in rolling stock in the past decade. Locomotives, passenger cars and freight cars increased at a CAGR of approximately 2.3%, 3.1% and 3.4%, respectively, from 2000 to 2009. As of 31 December 2009, China had 17,825 locomotives, 47,436 passenger cars and 594,388 freight cars. Notwithstanding the increase, the number of rolling stock has not been able to fulfill the need for rolling stock driven by the rapid growth in the railway transportation volume.

China's Railway Transportation Capacity

In 2010, China's total freight transportation throughout by railway was approximately 3.6 bt, ranking second with an approximately 11.5% share among all transportation modes in China, which includes roadways, inland waterways and domestic aviation. In terms of passenger throughput, China's railways recorded a turnover of approximately 1.7 billion passengers in 2010, ranking second with a 5.1% share among all transportation modes including roadways, inland waterways and domestic aviation. Table 9 shows freight and passenger throughput by transportation mode from 2000 to 2010.

Table 9: Freight and passenger throughput by transport mode from 2000 to 2010

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	CAGR
Unit (bt)												**'00-'10**
FREIGHT												
Turnover	**13.17**	**13.55**	**14.33**	**15.08**	**16.42**	**17.82**	**19.49**	**21.76**	**25.00**	**27.29**	**31.53**	**9.1%**
Railways	**1.79**	**1.93**	**2.05**	**2.24**	**2.49**	**2.69**	**2.88**	**3.14**	**3.30**	**3.33**	**3.63**	**7.9%**
% Total	*13.6%*	*14.3%*	*14.3%*	*14.9%*	*15.2%*	*15.1%*	*14.8%*	*14.4%*	*13.2%*	*12.2%*	*11.5%*	
Roadway	10.39	10.56	11.16	11.60	12.45	13.42	14.66	16.39	19.17	21.28	24.25	8.8%
Waterway	0.99	1.05	1.12	1.24	1.48	1.71	1.94	2.22	2.52	2.67	3.64	13.9%
Aviation	0.002	0.002	0.002	0.002	0.003	0.003	0.003	0.004	0.004	0.004	0.006	11.6%
Unit (billion people)												
PASSENGER												
Turnover	**14.79**	**15.34**	**16.08**	**15.87**	**17.67**	**18.47**	**20.24**	**22.28**	**28.68**	**29.77**	**32.80**	**8.3%**
Railways	**1.05**	**1.05**	**1.06**	**0.97**	**1.12**	**1.16**	**1.26**	**1.36**	**1.46**	**1.52**	**1.68**	**4.8%**
% Total	*7.1%*	*6.9%*	*6.6%*	*6.1%*	*6.3%*	*6.3%*	*6.2%*	*6.1%*	*5.1%*	*5.1%*	*5.1%*	
Roadway	13.47	14.03	14.75	14.64	16.25	16.97	18.60	20.51	26.82	27.79	30.63	8.6%
Waterway	0.19	0.19	0.19	0.17	0.19	0.20	0.22	0.23	0.20	0.22	0.22	1.5%
Aviation	0.067	0.075	0.086	0.088	0.121	0.138	0.160	0.186	0.193	0.231	0.270	15.0%

Source: Frost & Sullivan Report

The Role of Railways for Commodity Transportation in China

Railway is ideal for transporting commodities such as coal, iron ore and food stuffs in bulk cargo on a large-volume, long-distance, cost efficient basis, but in a less time-sensitive manner as compared to roadway. In addition, railway offers more predictability and is less vulnerable to weather conditions than roadway. Given the geographical imbalance of China's natural resources production areas and consumption centers, railway has been the primary bulk cargo transportation option in China. For example, railway shouldered an annual average of around 70% of coal transportation volume in China in the past three years.

A large portion of railway capacity is allocated to coal transportation, which accounted for approximately 55.0% of China's total railway throughput in 2010. Railway coal transportation volume grew at a CAGR of approximately 10.5% from 2000 to 2010, representing the second highest growth among all commodity categories. Table 10 shows railway freight volume by commodity categories from 2000 to 2010.

Table 10: Railway freight volume by commodity categories from 2000 to 2010

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	CAGR
	(mt)	**(mt)**	**(mt)**	**(mt)**	**(mt)**	**(mt)**	**(mt)**	**(mt)**	**(mt)**	**(mt)**	**(mt)**	**'00-'10**
TOTAL	**1,785.8**	**1,931.9**	**2,049.6**	**2,242.5**	**2,490.2**	**2,693.0**	**2,882.2**	**3,142.4**	**3,303.5**	**3,333.5**	**3,633.5**	**7.4%**
Coal	**739.6**	**828.9**	**897.6**	**992.8**	**1,138.7**	**1,248.8**	**1,321.3**	**1,468.5**	**1,619.9**	**1,601.4**	**1,999.0**	**10.5%**
% Total	*41.4%*	*42.9%*	*43.8%*	*44.3%*	*45.7%*	*46.4%*	*45.8%*	*46.7%*	*49.0%*	*48.0%*	*55.0%*	
Petroleum	101.3	106.6	112.9	121.3	137.1	147.7	150.3	152.8	152.8	151.2	150.8	4.1%
Steel, Iron, & Non-ferrous Metal	124.5	139.5	154.9	172.1	184.6	204.5	236.6	259.7	249.8	259.7	263.3	7.8%
Metal	140.5	162.1	184.0	203.7	221.7	258.7	301.5	331.7	359.3	430.5	447.1	12.3%
Mineral Construction Materials	104.4	106.0	94.3	86.3	89.4	91.2	94.5	96.6	114.8	129.6	147.4	3.5%
Food Stuffs	85.6	76.7	90.8	114.2	125.2	129.2	119.2	126.0	138.3	119.8	113.8	2.9%
Others(1)	489.9	512.1	515.0	552.1	593.5	612.8	658.8	707.1	668.5	641.3	512.2	0.4%

Source: Frost & Sullivan Report

Note: (1) Others include non-metal ore, cement, timber, fertilizer and pesticide, cotton, salt and other cargos

China Railway Development Outlook

According to the PRC's National 12th Five-Year Plan covering 2011 to 2015, the PRC Government has set out certain guidelines for future railway construction, which Frost & Sullivan summarized as follows:

- Passenger railway—continue to construct HSRs, increase total mileage and expand network coverage to provide more convenient and efficient intercity traffic; and
- Freight railway—heavy haulage[1] and interconnectivity with other transportation systems (i.e. roadways and waterways); focus on key cargos including coal, oil and iron ore.

[1] Heavy haulage refers to large-volume freight transportation through heavy-duty railways accommodating trains with large overall weight, wheel load and high overall traffic density and throughput volume. Compared with general trains with 20,000 to 30,000 tons hauling capacity, heavy-duty trains may provide up to 100,000 tons hauling capacity. For a heavy-duty railway with over 5,000 tons capacity per train, its annual throughput could be as large as over 400 million tons.

Table 11: China railway development projections by 2020

	Railway in Operation	Electrified Railway Ratio	Double-Track Railway Ratio	Freight Turnover	Passenger Turnover
	(Km)	(%)	(%)	(mt)	(Million People)
2010	91,000	46.2%	44.6%	3,634	1,680
2020F	Above 120,000	Above 60%	Above 50%	6,100	4,000

Source: Frost & Sullivan Report.

Notes: The benchmark year is 2010

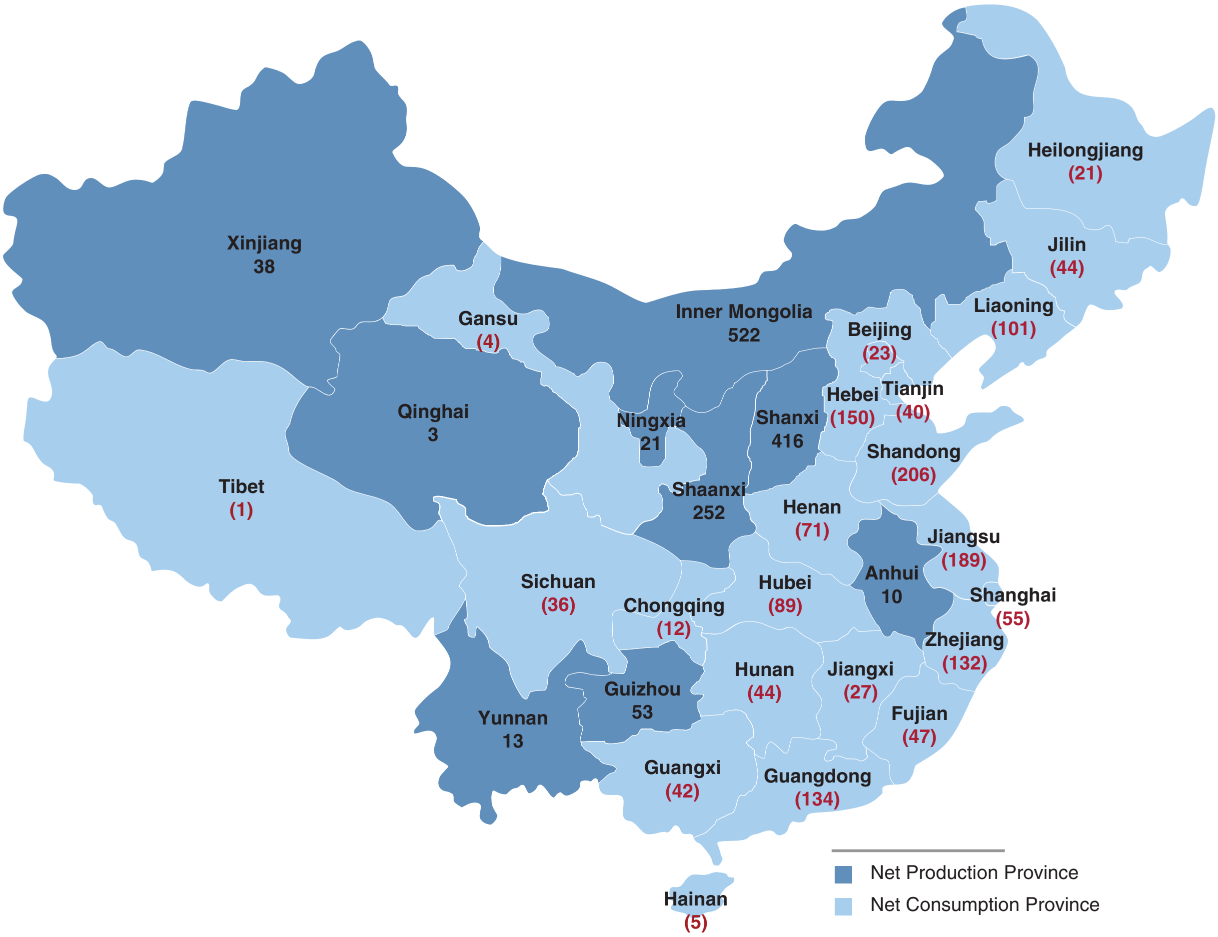
Overview of Railway Coal Transportation in China

Current flows of coal transportation

As one of the most important energy sources, coal is consumed throughout China in both coastal areas and inland provinces. However, most of China's coal resources are found in northern and northwestern China. Among all the provinces and regions in China, Inner Mongolia, Shanxi and Shaanxi produce the most coal (by volume), which in aggregate account for approximately half of the total coal production in China.

In order to demonstrate the flows of China's coal resources, Frost & Sullivan calculated the gap between the coal production and consumption of Chinese provinces by subtracting local consumption from local production. The resulting figure serves as an approximation of the net coal production/consumption in each province.

Figure 25: Net Coal Production/Consumption (mt) of Chinese Provinces in 2010



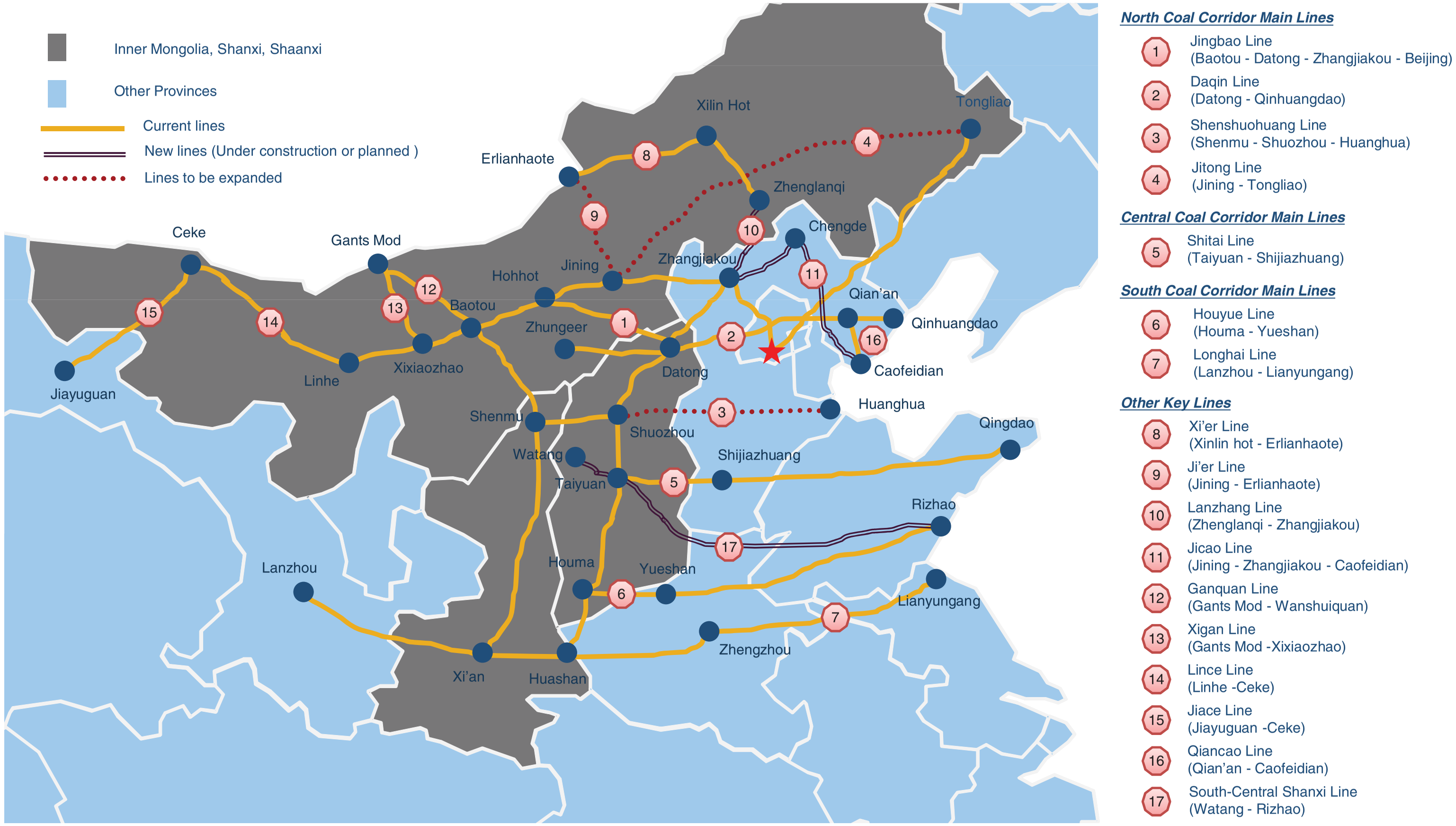
Source: Frost & Sullivan Report

As set forth in Figure 25, most of the provinces with net coal consumption are located in eastern and southern China, in particular, Shandong, Jiangsu, Hebei, Guangdong and Zhejiang provinces. On the other hand, Inner Mongolia, Shanxi and Shaanxi provinces have significant coal production in excess of their needs. The geographic imbalance between production and consumption in China requires coal transportation within China from west to east and from north to south. Coal resources are usually first transported by railway to major ports including Qinhuangdao, Caofeidian and Huanghua in northern China and then brought to coastal areas in the south by small and medium-sized freighters. This cost-effective route is a central part of China's coal transportation network.

Current Main Railway Lines for Coal Transportation

China's coal transportation system mainly consists of three corridors, namely the north corridor, central corridor and south corridor. The north corridor mainly consists of the Datong-Qinhuangdao ("Daqin") line, the Jining-Tongliao ("Jitong") line, the Shenmu-Shuozhou-Huanghua ("Shenshuohuang") line and the Beijing-Baotou ("Jingbao") line, which runs from Baotou to Beijing and passes through Hohhot, Datong and Zhangjiakou. The central corridor mainly consists of the Taiyuan-Shijiazhuang ("Shitai") line and the south corridor mainly consists of the Lanzhou-Xi'an-Huashan-Zhengzhou-Lianyungang ("Longhai) line and the Houyue line.

Figure 26: China's Main Railway Lines for Coal Transportation



Source: Frost & Sullivan Report

Note: The lines shown in the map are for illustration purposes only

Overall, the Daqin, Shenshuohuang and Houyue lines are the key lines among a large number of coal transportation lines. Since the 1980's, China's railway freight transportation capacity, particularly the capacity available for coal transportation, has not been able to meet the fast growing demand, leading to a coal supply shortage in eastern and southern China from time to time. In 1984, the PRC's State Council decided to build an electrified railway—the Daqin line-dedicated to coal transportation, which was the first heavy-haulage railway in China. Since then, two other coal-dedicated electrified heavy-duty railways, the Shenshuohuang line and the Houma-Yueshan ("Houyue") line, have been built.

In 2010, Daqin, Shenshuohuang and Houyue lines contribute approximately 38.0% of China's railway coal transportation volume. These three lines are described in Table 12. The Daqin line ranked first in 2010 among the three key lines, with a coal transportation volume of approximately 410 mt. Certain of these railways is continuing to add its capacity by upgrading equipment.

Table 12: Three major coal transportation lines in China

Name	Origination/Terminal Station	Length	2010 Actual Volume	Connection with main railway lines
Daqin line	Datong/Qinhuangdao	653 km	410 mt	Jingbao line, Datong-Junggar line, Qian'an-Caofeidian line

Profile: Among the three major railway lines set forth in this table, the Daqin line is the closest to Inner Mongolia, Shanxi and Shaanxi, and is directly connected with Qinhuangdao, a major coal port. As a result, many of the coal transportation lines in Inner Mongolia, Shanxi and Shaanxi are connected with the Daqin line to transport coal out of the region. In addition, the Qian'an-Caofeidian line built in 2006 is one of the spare lines of the Daqin line, which is used to transport coal to the Caofeidian port.

Name	Origination/Terminal Station	Length	2010 Actual Volume	Connection with main railway lines
Shenshuohuang line	Shenmu/Huanghua	815 km	160 mt	Baotou-Xi'an line

Profile: The Shenshuohuang line consists of the Shenmu-Shuozhou line and the Shuozhou-Huanghua line, which serves the Huanghua port in Hebei Province. The Shenshuohuang line is primarily used to transport coal from Shaanxi and Shanxi and is also used to transport coal from Inner Mongolia. This line is to be used mainly for transporting coal produced by the group of China Shenhua Energy Company Limited, due to its investment in this line.

Name	Origination/Terminal Station	Length	2010 Actual Volume	Connection with main railway lines
Houyue line	Houma/Yueshan	252 km	180 mt	Houma-Xi'an line and Yueshan-Rizhao line

Profile: Built in 1994, the Houyue line is a major line transporting coal from Shanxi to China's southern regions. The Houyue line is parallel to the Longhai line. Compared with Longhai line, the Houyue line is closer to Inner Mongolia, Shanxi and Shaanxi and can shorten the distance to travel from such provinces to ports in Shandong.

Source: Frost & Sullivan Report

In addition to the above three major lines, as set forth in Table 12, there are other lines playing significant roles in the system of transporting coals within China from west to east China and north to south China.

Table 13: Other major coal transportation lines

Name	Origination/Terminal Station	Length	Connection with main railway lines
Jitong line	Jining/Tongliao	995 km	Jingbao line, Jining-Erlianhaote ("Ji'er") line and Jizhang line

Profile: This line is a major route used to transport coal from Inner Mongolia to Tongliao located near the boundary of Inner Mongolia and Liaoning and is used to supply coal to Heilongjiang, Jilin and Liaoning provinces.

Name	Origination/Terminal Station	Length	Connection with main railway lines
Jingbao line	Baotou/Beijing	808 km	Daqin line, Jitong, and Baotou-Xi'an line

Profile: The west section of this line is the Baotou-Hohhot-Datong line, and the east section is the Datong-Zhangjiakou-Beijing line. The west section is used to transport coal from Inner Mongolia for further transportation via the Daqin line and the east section of this line.

Name	Origination/Terminal Station	Length	Connection with main railway lines
Shitai line	Shijiazhuang/Taiyuan	240 km	Taiyuan-Jiaozuo Iine, Taiyuan-Zhongwei-Yinchuan line

Profile: This line is used to transport coal from Shanxi to Qingdao port and is also used for non-coal commodity and passenger transportation.

Name	Origination/Terminal Station	Length	Connection with main railway lines
Longhai line	Lanzhou/Lianyungang	1,759 km	Baotou-Xi'an line

Profile: The Longhai line is the main trunk line linking coastal areas in eastern China with northwestern regions in China.

Source: Frost & Sullivan Report

Despite the many coal transportation lines in China, the total coal transportation capacity remains limited. Many of the existing lines are used for both passenger and non-coal goods transportation and the overall transportation capacity utilization is already very high. In addition, newly-built railway lines will typically experience a ramp-up period prior to achieving full capacity.

Recent Developments and Capacity Constraints for Coal Transportation

The following railway lines have been newly built or recently expanded.

Table 14: Newly-built or expanded major lines in recent years

Name	Year Operational	Origination/ Terminal Station	Length	Capacity
Qian'an-Caofeidian line	2006	Qian'an/Caofeidian	223 km	200 mt

Profile: The Qian'an-Caofeidian line is a major spare line of the Daqin line, and also an important railway link for the Caofeidian port.

Name	Year Operational	Origination/ Terminal Station	Length	Capacity
Jizhang line	2010	Jining/Zhangjiakou	179 km	60 mt

Profile: This line is part of the Jining-Zhangjiakou-Caofeidian ("Jicao") line i.e., the third main west-to-east line in the north corridor for coal transportation. Upon completion, this line should shorten the distance of coal transportation from Inner Mongolia to Beijing and increase the coal transportation capacity out of Inner Mongolia.

Source: Frost & Sullivan Report

These newly built lines have provided an incremental increase in capacity and enhanced the route flexibility of coal transportation within the railway network. However, capacity constraints in the railway network limiting railway coal transportation remain. The main reasons for this are (1) the limited capacity for growth of major west-to-east coal transportation lines, (2) rapidly increasing coal production in Inner Mongolia and Mongolia to be transported out of the region and (3) the impact of rolling stock limitations on railway coal transportation.

Most of the major coal transportation railway lines have limited room for capacity expansion. For example, the Daqin line, which has the largest coal transportation volume in China, increased its capacity to almost four times its capacity in 2002. In order to improve transportation capacity, the Daqin line became the first to deploy heavy haul technology in China, and also made various other upgrades to improve its transportation efficiency. However, maintaining high-speed operations while at the same time increasing loads creates risks and, therefore, there is limited room to significantly improve the Daqin line's future railway capacity. In addition, lines such as the Shitai line in central China, are often used for non-coal commodity and passenger transportation and, as a result, have limited capacity available for coal transportation. Moreover, many of China's other existing railway lines were initially built with lower technical standards and therefore have limited room to improve their capacity.

Coal production in Inner Mongolia, Shaanxi and Shanxi has increased significantly in recent years. Furthermore, the volume of imported coal has been increasing in recent years, with a significant portion being imported from Mongolia via Inner Mongolia. A significant portion of the coal either produced in Inner Mongolia or imported from Mongolia is transported to eastern and southern China. Far from any port, Inner Mongolia relies heavily on railways to transport coal. Although the railway network within Inner Mongolia has been improving over recent years, the outbound railway transportation capacity for coal is constrained by the capacity of the main railway lines. At present, Inner Mongolia mainly uses the Daqin and Shenshuohuang lines for its coal transportation to other provinces. Both lines are also used to transport coal from Shaanxi and Shanxi, as well as Inner Mongolia. As Shaanxi and Shanxi are closer to the coal consumption destinations, they are better positioned in competing for railway capacity compared to Inner Mongolia.

In addition to railway network constraints, rail car availability is another key factor that impacts coal transportation. The number of rail cars used to transport coal and other commodities is limited. To apply for allocation of rail car usage, companies engaged in the coal business need to submit requests to local railway authorities, which in turn redirect those requests to the Ministry of Railways through various levels of administration for final approval. Large state-owned enterprises are usually given preference in the allocation of rail cars. In terms of coal types, thermal coal is typically given transportation priority due to the importance of thermal coal to electricity generation. Therefore, in peak times of coal transportation, companies engaged in the coal business may have to pay a premium over standard transportation rates to acquire rail car capacity and the availability of rail cars plays a crucial role for certain coal users to secure transportation capacity and save transportation costs.

Future new railway construction and capacity expansion plans and their impacts

In order to overcome these capacity constraints in coal transportation, plans to build new railway lines for coal and expand the capacity of existing railways have been made and in a number of cases construction has already commenced. Table 15 below shows the railway lines to be constructed or expanded in the next few years.

Table 15: Railway lines to be constructed or expanded in the next few years

Name	Year Operational	Origination/Terminal Station	Length	Capacity
Jicao line	2013 to 2014	Jining/Caofeidian	1,000 km	Near term: 120 mt Long term: 200 mt

Profile: This project is expected to be the third major west-to-east line in the north corridor for coal transportation in addition to Daqin line and Shenshuohuang line, which is comprised of two parts: i.e. Jizhang line (completed in 2010), and Zhangjiakou-Caofeidian line. This line links with the Jining-Baotou line and related lines and acts as an important access to the coal resources in west Inner Mongolia. Caofeidian is the key coal port in the railway network.

Name	Year Operational	Origination/Terminal Station	Length	Capacity
Central/South Shanxi line	2014	Watang/Rizhao	1,260 km	200 mt

Profile: This line starts from Watang Town in Shanxi, passing through Henan Province and Shandong Province, and ends at Rizhao Port, Shandong. Construction of this line commenced in 2010. This project will facilitate the outbound transportation of coal from the central-south part of Shanxi province, and ease the pressure on existing coal transportation lines.

Name	Year Operational	Origination/Terminal Station	Length	Capacity
Expansion project of Jitong line	2014	Jining/Tongliao	924 km	80 mt

Profile: This project is a double-track and electrification upgrade of the existing Jitong line for the purpose of expanding capacity. The project commenced in 2010 and will increase the Jitong line capacity from its existing 24 mt to 80 mt after completion.

Name	Year Operational	Origination/Terminal Station	Length	Capacity
Lan-Zhang line	2012	Zhenglanqi/Zhangjiakou	226 km	N/A

Profile: This freight-orientated railway line is designed for coal transportation. Upon the completion, this line will establish a south-north corridor connecting the Jitong, Xilan and Jingbao lines.

Name	Year Operational	Origination/Terminal Station	Length	Capacity
Expansion project of Shuohuang line	2012	Shuozhou/Huanghua	600 km	350 to 400 mt

Profile: This line will provide additional railway coal transportation capacity needed for transportation of the coal output that is rapidly increasing in west Inner Mongolia.

Source: Frost & Sullivan Report

Over the next three to four years, two additional major coal transportation lines, namely the Jicao line and the Central/South Shanxi line will be completed. Providing a new option to transport local coal, the former project will enhance the access to seaborne transportation for coal products in Inner Mongolia, and mitigate the coal transportation capacity constraints in northern China. The Central/South Shanxi line will connect coal mines in Shanxi with Rizhao Port in Shandong, and serve as another major line for coal transportation in Shanxi.

However, these two projects are not expected to be completed and put into operation for at least three to four years. Therefore, capacity constraints in coal transportation capacity in western China will persist in the near future.

China's Domestic Railway Lines Relevant to Coal Import from Mongolia

Mongolia is a major coal exporter to China. In 2010, substantially all Mongolian coal imported into China passed through the Ceke, Gants Mod and Erlianhaote border crossings in Inner Mongolia, with Ceke and Gants Mod accounting for over 95% of total volume. Currently, Erlianhaote is the only border crossing with both road and railway connections.

Table 16: Railway Links for Erlianhaote, Ceke and Gants Mod

Name	Year Operational	Originating/Terminal Station	Length (km)	Capacity	Connection with main railway lines
Lince line	2009	Linhe/Ceke	768	19.5mt (Near term) 29mt (Long term)	Baotou-Lanzhou line
Jiace line	2007	Jiayuguan/Ceke	452	5.1mt (Near term) 7.8mt (Long term)	Lanzhou-Xinjiang line
Ji'er line	1955 (double-track under construction)	JiningSouth/Erlianhaote	331	17mt (Near term) 30mt (Long term)	Jingbao line
Xigan line	2011	Xixiaozhao/Gants Mod	225	26mt (Near term) 40mt (Long term)	Baotou-Lanzhou line
Xi'er line	2011-2012	Xilinhot/Erlianhaote	376	24mt (Near term) 60mt (Long term)	Jitong line
Ganquan line	2011	Wanshuiquan (Baotou)/ Gants Mod	354	25mt (Near term) 60mt (Long term)	Baotou-Lanzhou line

Source: Frost & Sullivan Report

As of the end of 2010, three railway links connecting Ceke and Erlianhaote border crossings with China's main coal transportation railways are operational with one under construction, and three new projects were under way.

The projects listed in Table 16, in particular the Xigan Line, the Ganquan line and the Lince line, will facilitate China's Mongolian coal imports. Before completion of these railway lines, coal imports from Mongolia were mainly transported through the Jiace line and the Ceke-Wusitai coal transportation road. Completion of these three lines is expected to increase the near term transportation capacity in Inner Mongolia by 70 mtpa, and enhance the coal trade between Mongolia and China, as well as China's domestic coal transportation.

Connecting the Xixiaozhao Station along the Baotou-Lanzhou line with Gants Mod border crossing along the Sino-Mongolia border, the Xigan line is an approximately 225 km long single-track electrified railway with a designed annual transportation capacity of approximately 26 mt in the near term and approximately 40 mt in the long term. The line is expected to be operational in 2011.

The Ganquan line is a 354 km long electrified railway with designed annual transportation capacity of approximately 25 mt in the near term and approximately 60 mt in the long term. This line is expected to be operational by the end of 2011.

OUR BUSINESS

Overview

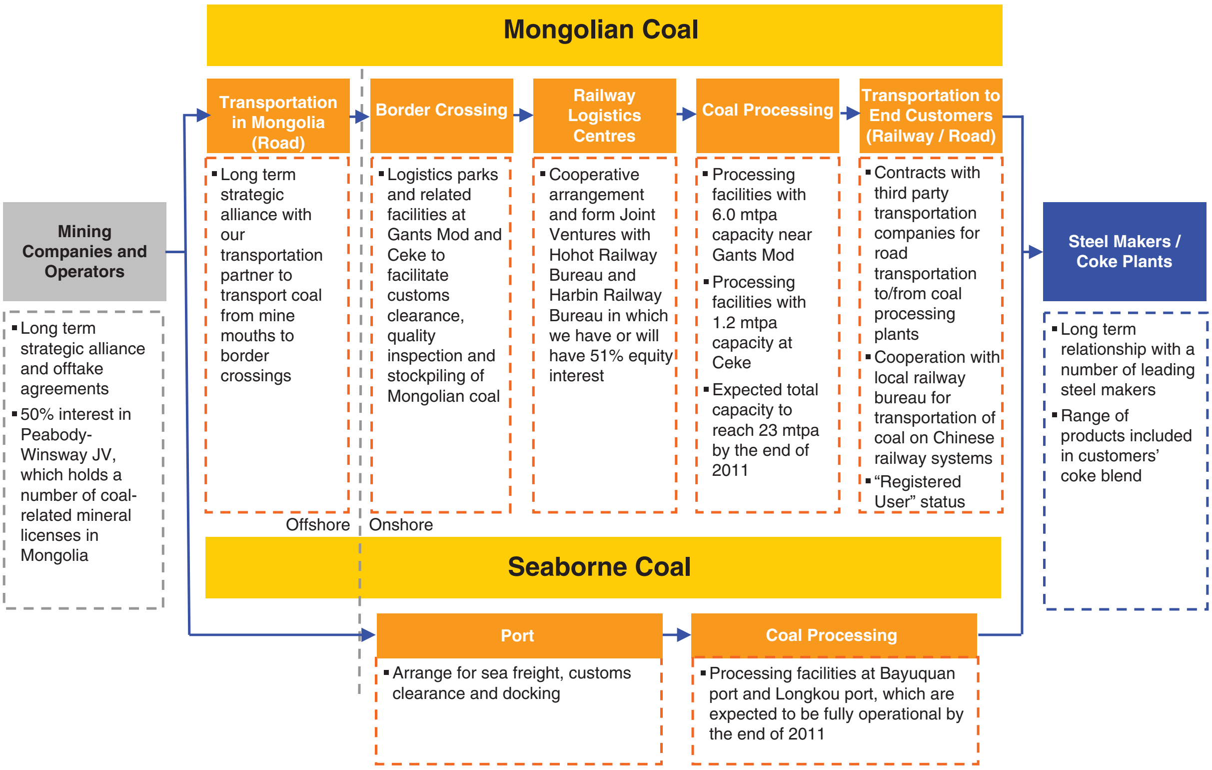
We are an integrated supplier of imported coking coal to China and provide services to our suppliers and customers through our integrated platform, comprising logistics parks, coal processing plants, and road and railway transportation capacities. In 2010, we procured approximately 9.6 mt of coal produced outside China and we believe we have established ourselves as one of the leading suppliers in China of imported coking coal.

We procured approximately 1.3 mt, 3.8 mt and 6.5 mt of Mongolian coal in 2008, 2009 and 2010, respectively. We believe our procurement represented a significant portion of Mongolian coal to China exported during such period, and we are a leading offtaker of Mongolian coal. We believe we are one of the pioneers in the large-scale transportation of Mongolian coking coal into China, and also one of the few companies which have made substantial investments in logistics and transportation infrastructure at several key Sino-Mongolian border crossings and have access to a transportation network through arrangements with third parties on both sides of the border. We also believe we are one of the few companies which have built an integrated coking coal supply business model to supply Mongolian coking coal into China, which is distinguishable through the considerable scale and profitability we have achieved.

We commenced our procurement of seaborne coal in 2009 and the amount of seaborne coal we procured amounted to approximately 3.4 mt and 3.1 mt in 2009 and 2010, respectively.

For the three years ended 31 December 2008, 2009 and 2010, we sold approximately 1.0 mt, 2.1 mt and 4.7 mt of Mongolian coal, respectively, and our total turnover from the sale of Mongolian coal was HKD1,102.0 million, HKD1,994.8 million and HKD5,073.4 million, respectively. For the two years ended 31 December 2009 and 2010, we sold approximately 2.9 mt and 3.1 mt of seaborne coal, respectively, and our turnover from the sale of seaborne coal was HKD3,215.9 million and HKD4,155.7 million, respectively.

Set forth below is the coking coal supply value chain which we participate in:



We plan to further strengthen our market position in the coking coal supply chain by adopting the following strategies. In respect of our supply, we plan to further develop the relationships and secure long-term supply agreements with our suppliers, selectively acquire upstream resources and develop coal tenements in Mongolia together with Peabody—Winsway JV, and explore upstream joint venture and acquisition opportunities in other regions. In respect of our logistics infrastructure, we plan to expand our existing operations at Ceke and Gants Mod logistics parks and replicate our proven operational model to the Erlianhaote border crossing, which has been constructed and is in a start-up stage, as well as the Manzhouli, Suifenhe and Hunchun border crossings. We also plan to cooperate with Hohhot Railway Bureau and Harbin Railway Bureau to construct railway logistics centres and railway-related infrastructure at border crossings and along major coal transportation railways and to enter into joint ventures with railway bureaus to invest in rail cars, other transportation-related vehicles and railway-related infrastructure to increase transportation capacity. We plan to increase our coal processing capacity by expanding the existing plant at Urad Zhongqi and constructing processing plants at Bayuquan and Longkou ports, Jining, and the Manzhouli and Suifenhe border crossings. We also plan to invest in docking facilities in Longkou port. In respect of our sales, we plan to develop new clients and increase the penetration level of our products with existing customers by leveraging our strong position in supplying imported coking coal to China's steel producing eastern coastal provinces.

The map below shows the approximate locations of certain identified coal deposits in Mongolia and Russia, certain existing and planned railways, and our current and planned logistics parks and coal processing plants.

We have established strong relationships with a number of Mongolia-based and other coal mining companies and operators globally. We started our cooperation with our Mongolia-based suppliers in 2006, being one of the first to do so on a large scale. We source coal from four leading Mongolia-based suppliers and have entered into strategic alliance agreements with three of these suppliers. Please refer to the section headed "Business—Procurement and Suppliers—Suppliers in Mongolia" in this Offering Memorandum for more details.

In the three years ended 31 December 2008, 2009 and 2010, we procured approximately 1.3 mt, 3.8 mt and 6.5 mt of Mongolian coal, respectively. All Mongolian coal we procured was raw coal and a majority portion of our Mongolian coal was processed and sold as cleaned coking coal.

We have also procured seaborne coal from countries such as Australia, the US, Canada and Russia since 2009. In the years ended 31 December 2009 and 2010, we procured approximately 3.4 mt and 3.1 mt of seaborne coal, respectively.

We have built a stable and growing customer base including many significant steel makers and coke plants in China. Our customers include Baosteel in Shanghai, Wuhan Iron and Steel, Baotou Steel, Hebei Steel and Jiujiang Qian'an Coke. We have also entered into long-term strategic alliance agreements and memoranda of understanding with a number of our customers, where we have agreed with such customers to supply different types of coal possessing specific characteristics required by such customers.

For the three years ended 31 December 2008, 2009 and 2010, our total turnover was HKD1,113.9 million, HKD5,283.2 million and HKD9,271.7 million, respectively, and our profit attributable to equity shareholders of our Company was HKD274.2 million, HKD515.3 million and HKD928.8 million, respectively.

Border crossings

The map below shows the approximate locations of our current and planned logistics parks at border crossings.

Recognizing the strategic importance of border crossings for the supply of coking coal into China, the development and expansion of our infrastructure and capacity at border crossings has been one of our core focuses. In 2007 and 2008, we started building strategic infrastructure at two major Sino-Mongolian border crossings, Gants Mod (甘其毛都) and Ceke (策克), respectively, which are close to our Mongolia-based suppliers' resources, including Tavan Tolgoi, one of the world's largest coking coal deposits. Our infrastructure on the China side of the Gants Mod and Ceke border crossings currently includes logistics parks with border-crossing facilities, stockpile areas, and additionally at Ceke, a coal processing plant. We have also constructed a logistics park with border-crossing facilities and a stockpile area in Erlianhaote, which is currently in the start-up stage and which we expect to be fully operational by the end of the first half of 2011. In addition, we are constructing logistics park at the Manzhouli Sino-Russian border crossing, are in the process of planning the construction of logistics parks at the Suifenhe and Hunchun Sino-Russian border crossings and are exploring the development of additional logistics parks at Sino-Mongolian border crossings in western China.

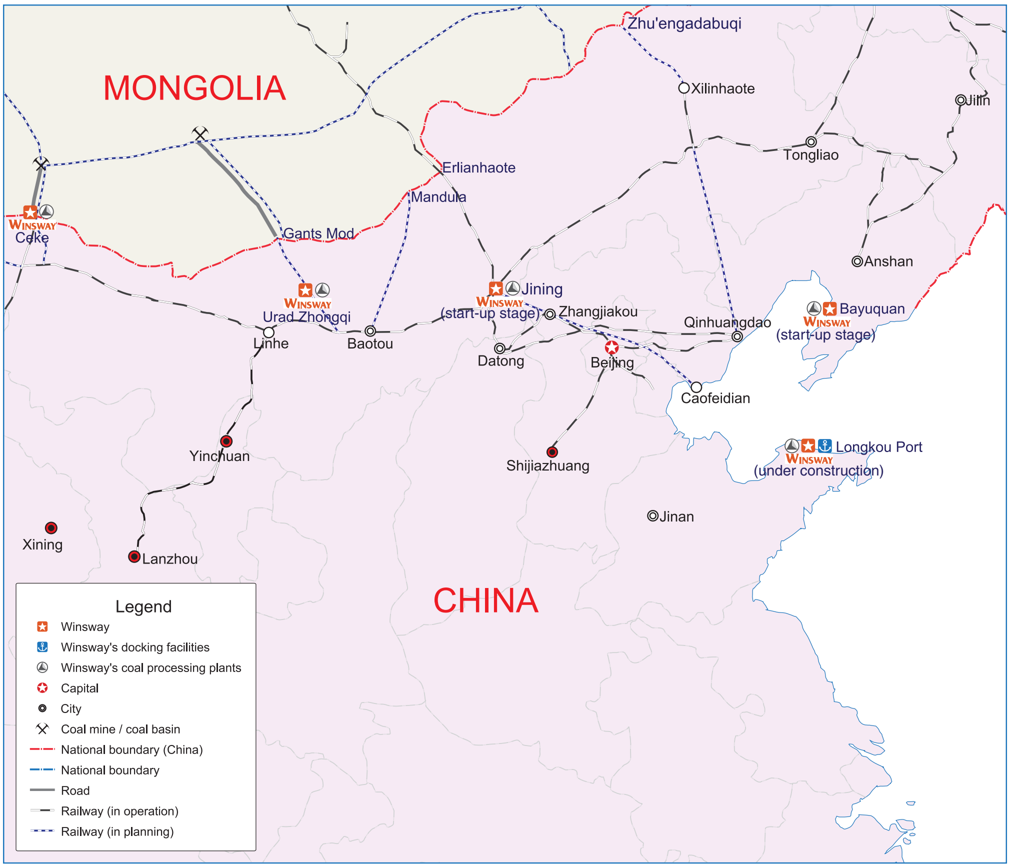
Railway logistics and transportation

The map below shows the approximate locations of existing and planned railways relevant to our infrastructure.

We believe railways are and will remain an integral part of the logistical solution for coal transportation. As part of our development strategy, we have invested and plan to invest in infrastructure to facilitate coal transportation to the eastern coastal area and other major coal-consuming regions in China, including railway, rail cars, railway logistics centres and other railway-related infrastructure. We have built or are building railway logistics centres in Jining and at the Ceke and Erlianhaote Sino-Mongolian border crossings. These newly built railway logistics centres are in the start-up stage and we expect them to be fully operational by the end of the first half of 2011. In addition, we are at the planning stage of other various railway logistics centres and related infrastructure, including the railway logistics centres at Gants Mod and Urad Zhongqi, which will be located along Xixiaozhao—Gants Mod railway line in which we own a 5% equity interest. We also hold a 5% equity interest in Shenhua Ganquan, which is the owner and operator of Ganquan Railway connecting Baotou and Grants Mod. Furthermore, in June 2010, we were granted "registered user" status by the Hohhot Railway Bureau (呼和浩特鐵路局) for carriage of coal by rail, which allows us to submit our transportation requirements and plans to Hohhot Railway Bureau for its consideration, and if accepted, for inclusion in its railway transportation capacity allocation plan. We also plan to invest in rail cars, other transportation-related vehicles and railway-related infrastructure, which we believe will increase our transportation capacity and the volume of coking coal supplied to our customers.

Coal processing

The map below shows the approximate locations of our current and planned coal processing plants.



To enable us to provide a broad range of coking coal and more value-added services to our customers, we have built or are building coal processing plants located at Urad Zhongqi, Ceke, Jining, Bayuquan port and Longkou port, and are also exploring the possibility of constructing a coal processing plant at Yangkou port. The processing plants at Urad Zhongqi and Ceke commenced operation in 2008 and 2009, respectively, and we are currently constructing a new processing line in the plant at Urad Zhongqi. The processing plants at Jining and Bayuquan port are in the start-up stage, while the plant at Longkou port is under construction. As of 31 December 2010, our coal processing plants in Urad Zhongqi and Ceke had an aggregate processing capacity of 7.2 mtpa. We expect our newly constructed coal processing plants to become fully operational by the end of 2011, at which point we expect to have an aggregate capacity of 23 mtpa.

Our integrated end-to-end service platform, comprising logistics parks, coal processing plants and road and railway transportation capabilities through our arrangements with third-party transportation companies, enables us to secure stable and cost-effective supplies and maintain our position as a long-term supplier to steel makers and coke plants in various parts of China, with particular strength in eastern coastal provinces where a majority of China’s steel production occurs. Our logistical expertise also enables us to extend our reach from Inner Mongolia to the eastern coastal provinces where demand and the average selling price for coking coal is generally higher, and through our coal processing services, we are able to enhance our profitability. Given our first-mover advantage in establishing a land-borne coking coal route to China in the scale we have achieved thus far, we believe our business model is difficult to replicate and creates a high entry barrier for potential competitors.

Our competitive strengths

We believe the following competitive strengths contribute to our success in the China coking coal industry and distinguish us from our competitors:

We are a major gateway for global coking coal into China and we believe we are one of the few companies which have built an integrated coking coal supply business model to supply Mongolian coking coal into China, with considerable scale and profitability

We believe we have established ourselves as one of the leading suppliers in China of imported coking coal in terms of the amount of coal we procured from suppliers outside China for importation into China. We also believe that we are a leading offtaker of Mongolian coal and our procurement represented a significant portion of Mongolian coal exported.

Offtaking Mongolian coal on a large scale requires significant infrastructure and logistical capability, which creates barriers to entry. We believe that our capability to secure coal supplies combined with our integrated end-to-end service platform will further enhance our position as a major gateway for global coking coal entering China.

Our integrated service platform provides us with a competitive advantage in providing a stable supply of high-quality coking coal to end customers in China

Our infrastructure investment at border crossings, our significant coal processing capacity and our investment in railway related infrastructure and transportation capacity are the three cornerstones of our integrated service platform.

Our strategic infrastructure investment at border crossings

Our main Mongolia-based suppliers are operating at Tavan Tolgoi and Nariin Sukhait deposits, all located in the southern regions of Mongolia. The Sino-Mongolian border crossing closest to the Tavan Tolgoi deposit is the Gants Mod border crossing, which is approximately 270 km away and the Sino-Mongolian crossing closest to the Nariin Sukhait deposit is the Ceke border crossing, which is approximately 40 km away.

Our strength lies in the strategic location of our logistics parks at the Gants Mod and Ceke border crossings. As the respective mines of our main suppliers in Mongolia are only connected to these border crossings by road, transportation of coal on a large scale can only be carried out by trucks. However, trucks from Mongolia and China cannot operate in each other's territory beyond the immediate border crossing areas. Therefore, an efficient logistics hub at the relevant Sino-Mongolian border crossing becomes critical in transporting Mongolian coking coal into China. As a result of the location of our logistics parks at the border crossings, Mongolian trucks carrying coal can travel directly from the loading points in Mongolia and unload the same at our logistics parks. This allows us to arrange for onward transportation of coal in China to our coal processing plants or to our customers expediently.

In addition, as Erlianhaote is the only Sino-Mongolian border crossing serviced by railway and as China and Mongolia use different railway gauges, it is currently not possible to have through rail travel at Sino-Mongolian border crossings. We expect this to continue for the foreseeable future and believe that having strategically placed logistics infrastructure at border crossings will be a significant competitive strength for us. Accordingly, we have built a logistics park with border-crossing facilities at the China side of the Erlianhaote crossing. The logistics park at Erlianhaote is currently in the start-up stage and we expect that, upon it becoming fully operational, it will enhance our transportation network along the Sino-Mongolian border and grant us more access to the Mongolian coal and other natural resources.

We believe our logistics parks, which were among the first ones developed in the area and at a relatively low land cost, have the potential to further expand and continue to be a critical part of the infrastructure in facilitating large-scale transportation at the Gants Mod, Ceke and Erlianhaote border crossings.

Our strategically located significant coal processing capacity

We believe the strategic location of our coal processing plants and our large-scale coal processing capacity are among our critical strengths. We have two coal processing plants, one in Urad Zhongqi along the transportation route connecting the Gants Mod border crossing and Baotou, and another one in Ceke, which commenced operation in 2008 and 2009, respectively, and as of 31 December 2010 had an aggregate coal processing capacity of 7.2 mt. In addition, we are currently constructing a new processing line to expand our capacity in the coal processing plant at Urad Zhongqi and developing coal processing facilities at Jining, Bayuquan port and Longkou port, and expect that after our newly constructed coal processing plants become fully operational, which is expected to be by the end of 2011, we will have an aggregate capacity of 23 mtpa.

We believe our ability to process raw coking coal sourced from various mines and offer our customers a variety of coking coal products to suit their distinctive needs differentiate us from other coal suppliers in China. Through expansion of our coal processing capacity at strategic locations across China, we believe we are able to provide value-added services to our customers located in a broad geographic area and capitalize on the attractive growth opportunities in China's coking coal market.

Our investment in railway-related infrastructure and transportation capacity

We believe that our joint venture relationships with railway bureaus in the PRC and our investment in the railway-related infrastructure as well as our registered user status strengthen our capability to provide railway logistical services and enhance our transportation capacity. This transportation capacity enables us to stand out from our competitors as being one of a few suppliers with an ability to transport Mongolian coking coal on a large scale and in a cost-effective manner to major steel makers and coke plants as far as 2,000 km away from the border crossings, in particular steel makers and coke plants in China's eastern coastal provinces.

As at 31 December 2010, Hohhot Railway Bureau and we had jointly invested in five joint venture companies (in each of which we have a 51% stake) for the purpose of developing and operating railway logistics centres at Gants Mod, Ceke, Erlianhaote, Urad Zhongqi and Jining, respectively and accordingly jointly developed three railway logistics centres at Jining and the Ceke and Erlianhaote Sino-Mongolian border crossings. We have also subscribed for a 5% equity interest in Xixiaozhao Railway Co., a joint venture company with Hohhot Railway Bureau and other third parties which is constructing a railway connecting Xixiaozhao to Gants Mod, expected to be completed in 2011. In addition, we own a 5% equity interest in Shenhua Ganquan, which is the owner and operator of Ganquan Railway connecting Baotou and Gants Mod. In October 2010, we also entered into a cooperation agreement with Harbin Railway Bureau to form a joint venture company in Manzhouli to provide logistics services, including loading, storage and transportation, in the new international freight terminal area of Manzhouli.

In January 2011, as part of our strategy of investing in rolling stock business, we jointly established Huayuan Logistics through our subsidiary Inner Mongolia Haotong with Mongolia Hutie Investment, a subsidiary of Hohhot Railway Bureau, and other parties to engage in the business of coal and mineral products transportation logistics. We hold a 9% equity interest in Huayuan Logistics and are the second largest shareholder after Mongolia Hutie Investment, which holds a 20% equity interest. Furthermore, in June 2010, we were granted "registered user" status by the Hohhot Railway Bureau (呼和浩特鐵路局) for carriage of coal by rail, which allows us to submit our transportation requirements and plans to Hohhot Railway Bureau for its consideration, and if accepted, for inclusion in its railway transportation capacity allocation plan.

We have established long-term and strategic relationships with a number of mining companies globally

We have four Mongolia-based suppliers who we believe are among the leading coal mining companies in Mongolia. The volume of coal produced by these four suppliers amounts to a substantial share of the total output of Mongolian coal and we have in place long-term strategic alliance agreements with three of these suppliers for offtaking agreed amounts of coal produced by them. Pursuant to these agreements, we periodically enter into coal supply agreements to quantify the amount of coal to be supplied for specific periods. We believe that we are one of the major customers of each of our four Mongolia-based suppliers taking into account our market position in terms of Mongolian coal imported into China. We are also seeking other potential coking coal suppliers in Mongolia to provide us with the potential to further expand our business. Please refer to the section headed "Business—Procurement and Suppliers—Suppliers in Mongolia" in this Offering Memorandum for more details.

In terms of seaborne coal, we primarily sourced from countries such as Australia, the US, Canada and Russia. We secured our seaborne coal supply from a number of international coal mining and trading companies and operators, such as Peabody Energy, Anglo Coal, SUEK AG, Marubeni Corporation, ITOCHU and Macarthur Coal.

Our established relationships and our market position contribute to our ability to secure a stable supply of high-quality coking coal from around the world, particularly with respect to Mongolian coking coal.

We have established strong relationships with some of the leading steel makers and coke producers in China

We are able to source a range of Mongolian coking coal, most of which can be used as a substitute for domestically produced high-quality coking coal, in the quantity and of the quality required by our customers. We also have the logistics infrastructure to transport coal over long distances and the coal processing capability to meet the needs of our customers. In addition, our financial strength and strong credit lines also allow us to secure funding and at reasonable cost, which in turn enables us to procure coking coal on a large scale. As a result, together with a steady supply of seaborne coal, we are able to supply our customers with a variety of coking coal products with reliable quality at competitive prices. In addition, we have a strong sales team which is dedicated to customer services and committed to fulfilling the needs of our customers.

We believe the above abilities give us an advantage compared to other coal suppliers in China and other parts of the world. Through this "one-stop shop" solution and our value-added coal processing services, we have been able to build a stable and growing customer base. Our customers include some of the largest steel makers and coke producers in China.

We have entered into long-term strategic alliance agreements and memoranda with a number of our customers, including Baosteel in Shanghai, Wuhan Iron and Steel, Jiujiang Qian'an Coke and Tangshan Jiahua, where we have agreed to supply these customers with different types of coal possessing specific characteristics required by such customers in the future. We believe that the strategic alliance agreements and memoranda entered between us and our customers as well as the recurrent business we have with our major customers since the establishment of our relationships with them, demonstrate our customers' confidence in us and our ability to provide a stable supply of coking coal products with consistent physical characteristics.

We have a strong management team and board of directors with a proven track record and outstanding execution capabilities

Our management team, which is built around our founder, Chairman and Chief Executive Officer, Mr. Wang, consists of seasoned managers with diverse skill sets, extensive international working experience and domestic know-how in natural resources and transportation industries. Our Board is comprised of directors with significant experience in the energy, steel and mining industries, as well as directors possessing strong financial backgrounds. Mr. Wang has over 20 years of international commodities business experience, including importing oil and petrochemical products from Russia and Mongolia into China. The core members of our management team, comprised of Mr. Wang, Ms. Zhu Hongchan, Mr. Yasuhisa Yamamoto, Mr. Apolonius Struijk and Mr. Cui Yong, have spent on average more than ten years with the Winsway Group.

Our management team and Board seek to emphasize best practices in our operations as well as corporate governance. We believe that we will be able to benefit from the industry and financial expertise our management team and Board provide to us.

Our business strategies

Our vision is to become the leading gateway to the coking coal market of China by providing global premium coking coal products and solutions to China's steel industry through our integrated end-to-end service platform. We plan to accomplish our goal through the following strategies:

Strengthening our leading position in supplying Mongolian coking coal through further infrastructure investments and replicating our successful model at other Sino-Mongolian border crossings

We intend to make further investments in key infrastructure to capitalize on expected increased imports of natural resources from Mongolia into China, including railway logistics centers at border crossings. For example, we have recently built a railway logistics park at the Erlianhaote Sino-Mongolian border crossing. We are also further exploring the possibility of future expansion of our operational model to border crossings at Mandula and Zhu'engadabuqi.

In addition, we also plan to explore constructing infrastructure at border crossings in western China, including the Xinjiang Autonomous Region, to expand our business in China's western regions.

Further securing Chinese domestic railway capacity by becoming a strategic partner with Chinese railway bureaus to invest in rail cars, railways and railway-related infrastructure

We believe the rapid increase in coal production in Inner Mongolia and Mongolia has exceeded or will soon exceed the available rail cars for transporting coal and the current capacity of major west-to-east coal transportation railways in the PRC. Please refer to the section headed "Industry—Chinese Railway System Overview" in this Offering Memorandum for more information. We face intense competition, particularly from thermal coal, for both rail cars and railway capacity allocation. Therefore, we believe investing in rail cars, other transportation-related vehicles and railway-related infrastructure will increase our transportation capacity, and by utilizing such capacity, we can improve our volume of coking coal supplied to our customers and our financial performance.

By participating with railway bureaus in the acquisition of rail cars and the development of railways and other railway-related infrastructure, we seek to obtain a status with such railway bureaus, similar to the "registered user" status we obtained with the Hohhot Railway Bureau in 2010. The PRC's railway bureaus usually prepare railway capacity allocation plans each year and certain parties with designated status are able to submit their transportation requirements and plans to the bureaus with the goal of including their requirements in the applicable railway capacity allocation plans. We believe, therefore, such investments are of strategic importance for our growth and that such investments will position us to obtain additional track capacity within China's national railway system.

Rolling stock and other transportation-related vehicles

The availability of sufficient numbers of rail cars could become a significant limitation on our ability to import significant additional amounts of coal and transport it from the border crossings or ports to processing facilities and our customers. To address this potential limitation, we plan to use certain of our existing railway joint ventures with the Hohhot Railway Bureau to work with the Hohhot Railway Bureau to purchase rail cars.

The rail cars will be purchased pursuant to contracts between such railway joint ventures and an affiliate of the Hohhot Railway Bureau and purchase agreements between such affiliate on behalf of the joint ventures and the suppliers of the rail cars. Before engaging in railway transportation business with self-owned rail cars, we must obtain a Railway Transportation with Self-Owned Rail Car License (企業自備貨車過軌運輸許可證) from the Ministry of Railways of the PRC. Our railway joint ventures will seek to take delivery of the rail cars within one year after the license from the Ministry of Railways is obtained and the purchase agreements are completed. Please refer to the sections headed "Regulations—Transportation and logistics in the PRC—Transportation by self-owned rail cars" and "Our Business—Transportation—Investment in Rolling Stock and other transportation-related vehicles" in this Offering Memorandum for further information.

In addition, we are exploring investments, which might be minority investment, in joint ventures with other PRC railway bureaus or their subsidiaries and other strategic partners to acquire rail cars and other transportation-related vehicles. These joint ventures may also develop railway-related infrastructure and we believe our participation will result in both additional track capacity and rail cars and other vehicles available for the transportation of coking coal to our customers.

Railway and other railway-related infrastructure

To position ourselves to expand our railway track capacity allocation, we plan to further develop our cooperative relationships with railway authorities in China and explore the following:

- entering into joint ventures with PRC railway bureaus or their subsidiaries and other key stake holders to develop railways in key locations to relieve existing or anticipated track capacity constraints;
- developing and operating, jointly with Hohhot Railway Bureau and other railway authorities railway logistics centres at three Sino-Mongolian border crossings, Gants Mod, Mandula and Zhu'engadabuqi, and an inland railway logistics centre at Urad Zhongqi in Inner Mongolia;
- developing jointly with a railway bureau logistics parks and railway logistics centres in the Chinese side of the Suifenhe Sino-Russian border crossing; and
- investing jointly with Hohhot Railway Bureau and other railway authorities in maintenance facilities.

We plan to use approximately 60% of the proceeds of the offering of the Notes to fund the purchase of rolling stock, other transportation-related vehicles and to invest in railway-related infrastructure, which purchases and investments may be accomplished through one of our Restricted Subsidiaries or through joint ventures in which we have a minority interest.

Capitalizing on expected future flows of Russian land-borne coking coal into China by replicating our successful Mongolian business model at key Sino-Russian border crossings

To expand our Sino-Russian coking coal supply business, we plan to replicate our Sino-Mongolian model at Sino-Russian border crossings and facilitate the land-borne transportation of Russian coal to China. As part of this strategy, we are constructing a railway logistics park on the Chinese side of the key Sino-Russian border crossing at Manzhouli, and expect to complete phase one of the construction by the end of 2011. We expect the logistics park in Manzhouli will serve as our primary receiving point of Russian land-borne coal and believe that its establishment will further increase the trading volume of coking coal between Russia and China. In addition to Manzhouli, we also plan to build infrastructure at the Sino-Russian border crossings at Suifenhe and Hunchun.

Moreover, we also intend to further develop our relationship with Chinese railway authorities in order to facilitate transportation of Russian coal into China and, through our existing sales network in China, to promote Russian coking coal to Chinese steel makers and coke plants.

Further securing our coking coal supply

Long-term offtake contracts

We are in discussion with Mongolia-based coal producers to secure further long-term supply agreements to offtake additional coal in line with our business expansion and expected increase in their production volume. For example, as part of that strategy, in December 2010, we entered into a strategic alliance agreement with SouthGobi, a major coal producer in Mongolia, pursuant to which and a related coal supply contract, SouthGobi has agreed to supply 3.2 mt of coking coal to us in 2011, which we believe represents a significant portion of its anticipated 2011 production. Please refer to the section headed "Business—Procurement and Suppliers—Suppliers in Mongolia" in this Offering Memorandum for more details.

We also aim to develop a Russian coal procurement business by replicating our Mongolian model. In order to complement our supply of Mongolian coking coal, we have established a presence in Singapore, Brisbane and Hong Kong to exploit seaborne market opportunities. We plan to establish a long-term supply relationship with our seaborne coal suppliers to offtake their coal products to secure our seaborne supplies.

Investments in upstream resources

In order to enhance our ability to obtain a steady supply of high-quality coking coal in the medium to long term, we plan to explore joint venture and acquisition opportunities in upstream resources to secure cost-effective and stable coking coal supply. In addition to our acquisition in 2010 of a 50% interest in the Peabody-Winsway JV, which indirectly holds a number of coal-related licenses in Mongolia and is in the process of conducting exploration and planning the development of mining projects in respect of those licenses, we will continue to explore acquisition and joint venture opportunities to secure upstream coal resources in different countries. We believe that our strategy to invest in upstream mining assets will enhance our ability to secure long-term and stable supply of coal resources and further complete our value chain.

Expanding our presence in the eastern coastal regions of China to accommodate more seaborne procurement

We plan to increase our ability to import clean coal and to further expand our seaborne procurement platform. To further capitalize on the lower cost of coal processing in China, we also intend to enhance our coal processing capacity in China, especially in the eastern coastal regions, and accordingly increase the import of raw coal from other countries. To that end, we have constructed a coal processing facility at Bayuquan port, which is in its start-up phase, and we are constructing a coal processing facility at Longkou port. We expect that both facilities will be completed and fully operational by the end of 2011. We also plan to explore the possibility of constructing a coal processing plant at Yangkou port and invest in docking facilities dedicated to coal transportation and shipment at Longkou port.

Exploring new markets

To increase penetration of our products, we plan to continue to expand our sales network to cover the major steel makers and coke plants in China and to increase our sales network in overseas markets. We commenced our sales to Japan in 2008 and we are currently exploring further opportunities in Japan through our internal feasibility studies with a view to undertaking more export sales to Japan in future. We believe our "one-stop shop" coking coal supply solution to our customers is critical to our success. To this end, we will continue to develop a broader range of standardized coking coal products. In addition, given our steel maker customer base, we are seeking to expand our product base to include iron ore.

Our operations

Our principal business involves the procurement of coking coal from around the world, particularly from Mongolia and the provision of value-added services to our customers in China. These services include sourcing, transportation, storage, processing and sale of coking coal. We have established an integrated end-to-end service platform comprising our logistics parks and border-crossing infrastructure and coal processing plants and road and railway transportation capabilities through our arrangements with third-party transportation companies. We believe this platform allows us to secure stable and cost-effective supplies and has enabled us to become a long-term supplier to steel makers and coke plants in various parts of China.

We source a substantial portion of our coking coal from our Mongolia-based suppliers, and through arrangements among our suppliers, a third-party transportation company and ourselves, Mongolian coal is transported directly from our suppliers' mines to our logistics parks in Gants Mod and Ceke. A majority portion of our Mongolian coking coal is processed at our coal processing plants located at Urad Zhongqi and Ceke.

Seaborne coal we source from countries such as Australia, the US, Canada and Russia is usually delivered to Jingtang, Rizhao or Caofeidian ports. Our customers usually take delivery from these ports or, if required, we arrange delivery by road and rail transportation to our customers. We have built or are constructing coal processing facilities at Bayuquan port and Longkou port, and plan to use these ports to serve as part of our service platform for our seaborne procurement.

Procurement and suppliers

Overview

In the three years ended 31 December 2008, 2009 and 2010, we procured approximately 1.3 mt, 7.2 mt and 9.6 mt of coal, respectively, with a breakdown by source as follows:

	Year ended 31 December		
	2008	2009	2010
	Volume (mt)	Volume (mt)	Volume (mt)
Origins of coal			
Mongolia	1.3	3.8	6.5
Seaborne	-	3.4	3.1
Total	1.3	7.2	9.6

For the years ended 31 December 2008, 2009 and 2010, coal purchases from our five largest suppliers accounted for 71.1%, 64.7% and 44.7% of our total purchases, respectively.

For the years ended 31 December 2008, 2009 and 2010, purchases from our single largest supplier accounted for 34.4%, 20.7% and 11.0% of our total purchases, respectively.

Suppliers in Mongolia

Mongolia has in recent years emerged as one of the major coking coal exporters to China. Mongolian coal resource locations include Tavan Tolgoi located approximately 270km from the Gants Mod border crossing, and the Nariin Sukhait deposit, located approximately 40km north of the Ceke border crossing.

We started our supply relationship with our largest Mongolia-based supplier in 2006 and have since expanded our supplier base and established supply relationships with three other leading Mongolia-based coal mining companies during the period comprising the three years ended 31 December 2010.

Depending on the suppliers, at the end of each year or quarter, we discuss with our suppliers their production and development plans for the following year or quarter. After taking into consideration production plans and requirements of our customers, transportation and our coal processing capacity, we reach an understanding with our suppliers on the price, volume and specifications of the coking coal to be supplied for the following year or quarter with the price to be agreed generally on a quarterly basis. Our management and procurement and sales teams will work closely to determine the yearly supply plan with our main Mongolia-based suppliers around the same time the yearly sales plan is determined, although the timing of signing of formal supply contracts may not match that of the sales contracts.

As at 28 February 2011, we have entered into the following contracts with four Mongolia-based suppliers:

(i) Strategic alliance agreement and offtake contract with TTT

We entered into a binding ten-year strategic alliance agreement in March 2010 with Tavan Tolgoi Incorporate Company ("**TTC**"). Under that strategic alliance agreement, TTC committed to sell us, through itself or its designated companies, at least 5.0 mt of raw coking coal per year or 50% of its total annual output, whichever is the higher, with an increase in volume each year based on actual production. The price will be set annually between us and TTC each year with reference to the Chinese market price of coking coal. We are not committed to purchasing any coal if the price cannot be agreed.

Pursuant to the strategic alliance agreement between TTC and us, Tavan Tolgoi Trans Co., Limited Company ("**TTT**"), Moveday and Winsway Singapore entered into several coal sales agreements whereby TTT agreed to supply to Moveday, which in turn agreed to supply to Winsway Singapore, a minimum of 2.75 mt of coal in each year. These coal sales contracts will expire on 31 December 2011.

Consistent with our procurement policy and past practices, we discuss and agree with TTT and TTC our supply plan and delivery schedule for the following year at the end of each year, and communicate from time to time should any adjustment to the plan or schedule need to be made. We are not committed to purchasing any coal if the price cannot be agreed.

For the years ended 31 December 2008, 2009 and 2010, we procured approximately 1.1 mt, 1.8 mt and 1.5 mt of coal from TTT.

(ii) Strategic alliance agreement and coal offtake contract with another Mongolia-based supplier

We have also entered into a binding strategic alliance agreement with another Mongolia-based supplier under which such supplier agreed to supply up to 2.0 mt of coking coal to us each year from 2010 to 2013, with an increase in volume each year based on actual production. The price will be set between such supplier and us based on the prevailing market price. We are not committed to purchase any coal if the price cannot be agreed.

Through Winsway Singapore, we currently have one binding coal supply contract with such supplier for the supply of 1.075 mt of coal for the period from 1 August 2010 to 1 April 2011. Under these contracts, the coal transportation and export plans for such supplier during the terms of these contracts as well as the sales prices for the coal to be supplied are set out in the contracts. Such prices shall be subject to quarterly adjustment depending on market conditions.

(iii) Offtake contract with another Mongolia-based supplier

Through Winsway Singapore, we currently have in place a binding coal supply contract with another Mongolia-based supplier for the supply of 3.0 mt of coal during the period from 24 December 2010 to 31 March 2012. Our relationship with such Mongolia-based supplier can be traced back to 2008. The total amount of coal to be supplied and delivery schedule has been amended from time to time by mutual agreement between such supplier and us. Sales price in respect of the coal to be supplied will be amended each time the contract is extended to reflect the agreement of the parties.

(iv) Strategic alliance agreement and coal offtake contract with SouthGobi

On 6 December 2010, we entered into a binding strategic alliance agreement with SouthGobi under which SouthGobi agreed, through itself or its designated companies, to supply coal to us or our designated companies with a minimum volume of 2.0 mt of coal per year during the period from 1 January 2011 to 31 December 2015, subject to the agreement between the parties on prices and terms. The parties may agree to increase the volume from time to time.

Based on the above strategic alliance agreement with SouthGobi, Winsway Singapore entered into a binding coal supply contract with a subsidiary of SouthGobi in Mongolia for the supply of a total 3.2 mt of coal for the period from 1 January 2011 to 31 December 2011. The price has been agreed and set in the agreement for the coal to be purchased for the first quarter of 2011 and will be determined by mutual agreement between the parties for each of the subsequent quarters of 2011.

We usually enter into tri-partite agreements with our suppliers and Moveday, an Independent Third Party, for the delivery of coal from the mine mouth to the relevant border crossing. These tri-partite agreements will typically set out the term, transportation price, pick-up and delivery points, and other responsibilities of the parties. In some cases, our Mongolia-based suppliers may choose to arrange delivery of our coal supply directly by themselves. Our purchase price usually includes both mine mouth price and transportation cost from the mine mouth to the relevant border crossings.

We believe our ability to secure a stable supply of coal from our Mongolia-based suppliers stems from the following: (i) our logistics parks located at Gants Mod and Ceke, located approximately 270km from the Tavan Tolgoi and approximately 40km from the Nariin Sukhait deposit, respectively, where our suppliers are operating; (ii) our ability to transport coal from Mongolia to the border crossings via road transportation arranged through our suppliers and a third-party transportation company; and (iii) our considerable scale and our strong relationships with our main Mongolia-based suppliers. We have not experienced any material disputes related to coal supplies during the period comprising the three years ended 31 December 2010.

Other potential suppliers

We have been actively seeking other potential coking coal suppliers in Mongolia which will provide us with potential to further expand our business. Leveraging on our integrated end-to-end service platform and reputation as a trusted coking coal offtaker in Mongolia, we believe we will continue to be one of the preferred customers for our existing suppliers and be able to attract further supplies from the growing number of Mongolia-based coking coal producers and operators.

Suppliers of seaborne coal

Other than Mongolian coal, we also started to procure seaborne coal, from 2009. We consider the seaborne coal market an integral part of our business strategy and provides synergy to our business as we consider our ability to produce a range of coal products with customized specifications at competitive pricing to suit our customers' needs is critical to maintaining a solid and stable relationship with our customers. We primarily sourced our seaborne coal from countries such as Australia, the US, Canada and Russia. We have secured supply from international coal mining companies and operators such as Peabody Energy, Anglo Coal, SUEK AG, Marubeni Corporation, ITOCHU and Macarthur Coal in 2010 through a combination of spot contracts and term contracts. Our term contracts are typically for a term of up to a year, and provide for shipments in accordance with a provisional delivery schedule, with deliveries to be made on mutually agreeable paydays. Depending on our negotiations with our suppliers, prices are usually agreed on a quarterly basis, but may be fixed for a specified number of shipments or fixed for the entire tonnage agreed to be supplied. Payment is usually made in respect of each shipment against delivery.

Procurement and Pricing

Our overseas coal procurement department sources coal primarily through direct contact with coal mining companies and operators and formulates our procurement policy for seaborne coal based on the pricing of coal in the international markets, taking into consideration various factors including (a) current market demand and supply and the anticipated market trends in the Chinese market; and (b) characteristics and specifications of the coal to be supplied. Our usual practice is to place order for seaborne coal in accordance with orders or requests from our customers. Upon receipt of orders or requests from our customers, we will approach our suppliers which are able to supply the required coal to discuss the purchase price. The purchase price will typically be determined based on the prevailing international coal price and after taking into account the delivery schedule, our profit margin and other relevant costs, such as import agent's fees and transportation costs. We have also adopted certain preventive measures to minimize our exposure in respect of price fluctuation. In the past, in most cases we were able to carry out our seaborne coal trade by committing to the purchase price and amount with our suppliers to ensure that we are able to supply coal possessing characteristics sought by our customers in the amount required after receipt of orders or requests from our customers.

Upstream investments

In order to enhance our ability to obtain a steady supply of high-quality coking coal in the medium to long term, we also plan to selectively pursue investments in minority interests in upstream mining assets. On 29 June 2010, we acquired a 50% interest in Peabody-Winsway JV, a joint venture company with Peabody Holland (a subsidiary of Peabody Energy), from Polo Resources Coóperatief, for a consideration of US$35 million and replaced Polo Resources Coóperatief as one of the two shareholders of Peabody-Winsway JV. In addition, we paid to Peabody Energy a facilitation fee of US$10 million by issuing to Peabody Energy of the Peabody Energy Consideration Shares under a cooperation and facilitation fee agreement dated 29 June 2010, pursuant to which Peabody Holland, amongst other things, consented to and waived pre-emption rights and other restrictions on transfer and rights of veto in respect of the transfer of 50% interest in Peabody-Winsway JV by Polo Resources Coóperatief.

Under the relevant joint venture agreement between us and Peabody Holland, the management of Peabody-Winsway JV is vested in the board of directors, and each of Peabody Holland and our Company is entitled to appoint up to two directors to the board. The board currently consists of four directors, with two directors appointed by us and two directors appointed by Peabody Holland. The shareholders may, but are not obliged to, provide funding for any future cash needs by shareholder loans or subscription for new shares on a pro rata basis. The annual dividend is to be determined by the board of Peabody-Winsway JV and it will be distributed on a pro rata basis. The Peabody-Winsway JV is being accounted for as a jointly-controlled entity of our Company and our investment in the Peabody-Winsway JV is being accounted for using the equity method of accounting.

Peabody Holland is responsible for managing, overseeing, coordinating and providing management services to the joint venture company and is entitled to appoint an appointee to oversee such services and to manage, control, administer and operate the business of the joint venture company and report regularly to the board of directors. In addition, Peabody Holland is also entrusted with providing management services to the subsidiaries of Peabody-Winsway JV under several agreements.

Peabody-Winsway JV holds, amongst other things, a 100% equity interest in Peabody-Winsway Mongolia, a Mongolian legal entity engaging in coal exploration and mining in Mongolia. All exploration licenses issued under the Mongolia Minerals Law will not be designated as "strategically important" until they are converted into mining licenses and have a reserve estimate approved by the Mongolia Minerals Professional Council. Please refer to the sections headed "Regulations—Mongolian Operations " and "Risk Factors—Risks related to our business and industry—Our investments in Mongolia, our operations at Sino-Mongolian border crossings and procurement of coal from Mongolia are subject to uncertainty associated with the legal system and the requirements and execution of minerals laws in Mongolia, which could limit the legal protection available to us and potential investors as well as the stability of our supply" in this Offering Memorandum. Peabody-Winsway Mongolia holds a number of exploration and mining licenses and none of these licenses, so far as we are aware, relate to deposits that have been designated as "strategically important" mineral deposits by the Mongolian Parliament.

We estimate the investment cost in relation to Peabody-Winsway JV to be contributed by us in the year of 2011 to be approximately US$4.5 million. However, the management of Peabody-Winsway JV is unable to determine the actual date for commencement of commercial production in respect of the various exploration or mining licenses as commercial production will depend on various factors, including results of exploration, logistics arrangements, the timing of obtaining mining license and actual mine development plan.

The coal exploration and mining licenses held by Peabody-Winsway Mongolia cover land in four main areas in Mongolia, with a total coverage area of approximately 7,210 square kilometres, which includes a large area in the strategically important South Gobi Coal Basin (which is in relatively close proximity to the Gants Mod and Ceke border crossings).

The map below illustrates the approximate geographic location of the licensed areas for Peabody-Winsway Mongolia and the licensed areas in the South Gobi Coal Basin:

Peabody-Winsway Mongolia projects in the central and north-western regions of Mongolia are generally thermal coal projects and they are in relatively advanced stages, whilst projects in the South Gobi Coal Basin are still at the preliminary stage in terms of exploration and readiness for production. The South Gobi Coal Basin is known for its coal resources, including the Tavan Tolgoi coking coal/thermal coal deposits and the deposits in Baruun Nuran, Ovoot Tolgoi and Nariin Sukhait.

We believe that our acquisition of a 50% interest in the Peabody-Winsway JV will enhance our ability to obtain upstream coal resources in Mongolia, further complete our value chain and reduce upstream coal supply risk.

Logistics parks and border crossing facilities

Logistics parks and border crossing facilities at Sino-Mongolian border

As an important part of our end-to-end service platform, we have built strategic infrastructure at several key Sino-Mongolian border crossings nearest to the mines of our Mongolia-based suppliers. To date, all our Mongolian coal supply has been delivered into China through the Gants Mod border crossing and the Ceke border crossing. We have also constructed a logistics park with border-crossing facilities and a stockpile area in Erlianhaote, which is currently in the start-up stage and which we expect to be fully operational by the end of 2011. We also plan to explore further cooperation with Hohhot Railway Bureau in respect to the construction and operation of railway logistics centres at Mandula and Zhu'engadabuqi border crossings as well as in western China, including the Xinjiang Autonomous Region.

Trucks from Mongolia and China cannot operate in each other's territory beyond the immediate border crossing areas. Trucks carrying coal from Mongolia can travel directly from the loading points in Mongolia and unload at our logistics park. Our logistics parks serve as a point of delivery for our coal supply from Mongolia, and as logistics hubs which allow us to arrange for the onward transportation of coal in China to our coal processing plants and our customers.

Logistics park at Gants Mod Border Crossing

We started building strategic infrastructure, including a logistics park and border-crossing facilities, at the Gants Mod border crossing in 2007. The logistics park comprises an office area, loading facilities for the trucks, a stockpile area under customs supervision together with an office building for use by PRC customs authority, a coal testing centre, staff quarters, commercial lots and a wind shield, occupying a total land area of approximately 666,600 sqm. The Gants Mod border crossing, a tier-one Sino-Mongolian border crossing in Inner Mongolia which is generally open throughout the year, is located approximately 270km from Tavan Tolgoi in Mongolia, one of the world's largest undeveloped coking coal deposits. The stockpile area in the Gants Mod logistics park has a coal storage capability of approximately 1.5 mt. We also own equipment and machinery such as bulldozers, coal piling machines and coal loading machines at the Gants Mod logistics park.

We have a designated access road connecting our logistics park in Gants Mod to the Chinese customs inspection facility, which allows us to efficiently deliver coal to our stockpile area. Our coal supply is primarily delivered to our coal processing plant in Urad Zhongqi which is located approximately 160km south of our Gants Mod logistics park. The Xixiaozhao-Gants Mod railway line which will connect Xixiaozhao, a station on the Baolan line, to Gants Mod is expected to be completed and become operational in 2011.

We believe that the current throughput capacity of our logistics park in Gants Mod is dependent on the border-crossing handling capacity at the Gants Mod border crossing, which is currently constrained by a number of factors including the operating hours, customs clearance speed and number of customs clearance lanes. The operating hours at the Gants Mod border crossing have been extended and the total clearance lanes designated for coal transportation were increased from two lanes to four lanes in year 2010, contributing to an increase in throughput efficiency at the Gants Mod border crossing. Further, based on public information, a new express clearance system has been built for the Gants Mod border crossing and is expected to commence operation in 2011. We expect that, when the new system becomes operational, the total time required for clearance for each motor vehicle passing through the Gants Mod border crossing will be reduced. In line with policies of the Chinese government and Mongolian government to expand the throughput capacities at the Gants Mod border crossing, we expect the border-crossing handling capacity at the Gants Mod border crossing to progressively increase in the future.

In May 2010, Hohhot Railway Bureau approved a cooperation arrangement with us to jointly develop and operate railway logistics centres in Gants Mod and a joint venture company, Bayannao'er Winsway, was incorporated on 14 July 2010. We expect the new railway logistics centre jointly developed by us and Hohhot Railway Bureau, when completed, to significantly increase our access to rail transportation.

Logistics park at Ceke border crossing

The Ceke border crossing, a tier-one Sino-Mongolian border crossing in Inner Mongolia generally open throughout the year, is located in Ejinaqi county in Inner Mongolia. It is approximately 40km from the Nariin Sukhait deposit in Mongolia. Ceke is currently serviced by two rail lines, the Jiayuguan-Ceke line and the newly built Linhe-Ceke line.

We started building strategic infrastructure, including a logistics park and border-crossing facilities at the Ceke border crossing in 2008 to enhance our border-crossing capability. Our logistics park currently occupies a total land area of approximately 679,100 sqm. It currently comprises loading facilities for the trucks, a stockpile area under customs supervision together with an office building for use by PRC customs authority, staff quarters and commercial lots. The stockpile area in the Ceke logistics park has a coal storage capability of approximately 1.5 mt. We also own equipment and machinery such as coal loading machines at the Ceke logistics park. We are currently expanding our facilities at the Ceke logistics park, which upon completion will also comprise an office area, a coal testing centre and a wind shield.

Our logistics park and coal processing plant are located within close proximity to the Ceke train station, which allows us to deliver our products to our customers through the national rail network efficiently.

The existing customs inspection facility at the Ceke border crossing is currently only equipped with one customs clearance lane. After clearing customs, the majority of our raw coal is delivered to our coal processing plants located within our Ceke logistics park or at Urad Zhongqi for processing or be sold directly to our customers.

We believe that the current throughput capacity of our logistics park in Ceke is dependent on the border-crossing handling capacity at the Ceke border crossing, which is also currently constrained by a number of factors including the operating hours, customs clearance speed and the number of customs clearance lanes. The operating hours at the Ceke border crossing were extended and an additional inspection passage was added on the Mongolian side of the border crossing in year 2010, contributing to an increase in throughput efficiency at the Ceke border crossing. In line with supportive policies of the Chinese government and Mongolian government to expand the throughput capacities at the Ceke border crossing, we expect the border-crossing handling capacity at the Ceke border crossing to increase as a result of the construction of the new customs inspection facility and dedicated customs clearance lanes for coal transportation.

We jointly established a joint venture company, Ejinaqi Winsway, on 30 June 2010 with Hohhot Railway Bureau to develop and operate a railway logistics centre in Ceke. The railway logistics centre is in the start-up stage and expected to be fully operational by the end of the first half of 2011.

We are also expanding the infrastructure and throughput capacities at the Gants Mod and Ceke logistics parks where additional land has been earmarked for expansion.

Logistics park at Erlianhaote Border Crossing

We recently started to construct another railway logistics centres jointly with Hohhot Railway Bureau at the Erlianhaote Sino-Mongolian border crossing, which is in the start-up stage and expected to be fully operational by the end of the first half of 2011. We expect the new railway logistics centres jointly developed by us and Hohhot Railway Bureau, when completed, to significantly increase our access to rail transportation.

Border crossing facilities at the Sino-Russian border and border crossings in other regions of China

We plan to replicate our Mongolia business model at the Chinese side of key Sino-Russian border crossings and we are constructing a logistics park at the Manzhouli Sino-Russian border crossing and expect to complete phase one of its construction by the end of 2011. We are also in the process of planning the construction of logistics parks at the Suifenhe and Hunchun Sino-Russian border crossings.

In addition, we plan to explore the possibilities of constructing infrastructure at border crossings in western China, including the Xinjiang Autonomous Region, to expand our business in China's western regions.

Sea ports

Currently, almost all of our seaborne coal is delivered to Jingtang, Rizhao or Caofeidian port on an FOB, CIF or CRF basis, and upon arrival at such ports, will be transported to our customers by road or rail or delivered to our customers at these ports.

In order to further expand the range of value-added services for our seaborne products, we have constructed a coal processing facility at Bayuquan port, which is in its start-up phase, and we are constructing a coal processing facility at Longkou port. We expect that both facilities will be completed and fully operationally by the end of 2011. We also plan to explore the possibility of constructing a coal processing plant at Yangkou port and invest in docking facilities dedicated to coal transportation and shipment at Longkou port.

Transportation

Transportation in Mongolia

All of our coal from our suppliers' mines located at Tavan Tolgoi and Nariin Sukhait are transported to the Gants Mod and Ceke border crossings, respectively, by road.

All of our Mongolian-based suppliers primarily use Moveday, an Independent Third Party, to transport coal for them from their respective mines to our stockpile areas in Gants Mod logistics park or Ceke logistics park since 2008. As Moveday is delegated by our Mongolia-based suppliers to provide us with transportation services in Mongolia when we enter into our supply contracts with our Mongolian suppliers, we also arrange and agree with them and Moveday on the delivery of coal through entering into tri-partite agreements. Under the tri-partite agreement entered into between us, each of our Mongolia-based suppliers and Moveday, Moveday is appointed by the supplier to undertake customs clearance and transportation of coal to us at designated delivery points. The fees payable to Moveday in respect of its services are agreed between the parties and are determined after taking into account the amount of coal transported, the distance covered fuel cost, labor cost and prevailing market condition, and will be payable by us to Moveday directly. For the years ended 31 December 2008, 2009 and 2010, the total expenses associated with coal transportation services provided by Moveday amounted to US$31.0 million, US$53.8 million and US$72.9 million, respectively.

We have decided to focus on developing our coking coal business and not to undertake truck transportation business. As a result of adopting the above strategy and as the main business of Moveday is to provide coal transportation services in Mongolia which is not a business that our Company intends to be involved in, we entered into a strategic alliance agreement with Moveday, pursuant to which we agreed to provide a loan to Moveday to purchase additional vehicles to meet with the increasing volume of coal procured by us in Mongolia, and Moveday has agreed to use the trucks purchased through financing provided by us solely for the provision of transportation services to us during the term of the agreement. Under a loan agreement entered into on 10 April 2010 (as amended by a supplemental deed on 15 September 2010) and the strategic alliance agreement, we agreed to lend Moveday up to US$40 million solely for the purpose of purchasing vehicles for transporting coal purchased by us in Mongolia. The loan is made at an interest rate of LIBOR plus 3% and the principal amount is repayable in five years in equal installments of US$8 million, commencing from 18 months after the receipt of the loan by Moveday. As at 31 December 2010, the entire loan amount has been fully drawn down. Please refer to the section headed "Risk Factors—Risks related to our business and our Industry—We may not be able to recover all or part of our loan to Moveday or received the coal supply corresponding to the repayment of our advance payment to certain Mongolian suppliers" in this Offering Memorandum for more details on the risks associated with this loan.

The actual amount supplied will be subject to, amongst other things, the changing demand of our customers, market conditions, our suppliers' capability to produce the contracted output amount, throughput capacity at the border crossings and the total coal processing capacity of the Group.

Transportation in China for Mongolian coal

Primarily through third-party transportation companies and service providers, we are able to transport coal from the Chinese side of the border crossings to our coal processing plants, to third-party coal processing plants, to customers nearby or to coal loading stations along the Jingbao and Baolan railway lines, such as Baotou and Dalahai (打拉亥), for onward transportation to our other customers by rail. We engage transportation companies with sizeable fleets of truck and also individual transportation service providers on an ad hoc basis to satisfy our transportation need.

We will usually determine the mode of delivery employed for the above transportation after taking into consideration factors such as the transportation route, distance, costs and time efficiency and available capacity.

To track the progress of delivery and to ensure the safety of our inventory and products on a real-time basis, we use a central computer system to monitor each of our trucks and third-party delivery trucks handling our coal supply within China through GPS technology. A central control room with live video feeds is also located in our main operations centre located in Beijing, China.

In June 2010, we were granted "registered user" status for carriage of coal by rail by the Hohhot Railway Bureau (呼和浩特鐵路局). As a "registered user", we are allowed to submit our transportation requirements and plans to Hohhot Railway Bureau for its consideration, and if accepted, for inclusion in the railway transportation capacity allocation plan.

Strategic investment in railway lines and railway logistics centres in the PRC

We entered into a capital contribution agreement with Hohhot Railway Bureau and various other parties in 2009 to subscribe for a 5% equity interest in Xixiaozhao Railway Co. for a total amount of RMB75.0 million which will undertake the construction of a railway line connecting Xixiaozhao to Jinquan in Inner Mongolia, where our Urad Zhongqi processing plant is located, and from Jinquan to Gants Mod border crossing. Save for the capital contribution commitment amounting to RMB75.0 million, we have no further commitment in respect of Xixiaozhao Railway and its project as at 31 December 2010. As at 31 December 2010, we have invested RMB60.0 million, under a capital contribution schedule agreed by the parties, with the remaining RMB15.0 million was payable in 2011. We believe our investment will help us to secure transportation capacity, particularly at times of heavy utilization. The Xixiaozhao-Jinquan portion of the line was completed and became operational in late 2010. This line will be further extended to Gants Mod and it is estimated to be completed in 2011. Xixiaozhao is located near Baotou, where several major national railway lines converge.

In May 2010, the Hohhot Railway Bureau approved its cooperation arrangement with us to:

- jointly develop and operate railway logistics centres at five border crossings, namely Gants Mod, Ceke, Erlianhaote, Mandula and Zhu'engadabuqi, through joint venture companies to be incorporated which will be 51% held by us;
- jointly develop two inland railway logistics centres in Inner Mongolia, at Urad Zhongqi and Jining;
- jointly invest in railway rolling stock and maintenance facilities; and
- support us in further securing transportation capacity on the national railway system.

As at 31 December 2010, Hohhot Railway Bureau and we invested in five joint venture companies for the purpose of developing and operating railway logistics centres at Gants Mod, Ceke, Erlianhaote, Urad Zhongqi and Jining respectively. We own a 51% equity interest and have a majority board representation in each of these joint venture companies.

In October 2010, we entered into a cooperation agreement with Harbin Railway Bureau to form a joint venture company in Manzhouli to provide logistics services, including loading, storage and transportation, in the new international freight terminal area of Manzhouli. Pursuant to the joint venture agreement, we will own a 51% equity interest in the new joint venture company. We believe that our cooperative arrangements with the Harbin Railway Bureau will improve our logistics capability.

In January 2011, we, through our subsidiary Inner Mongolia Haotong, jointly established Huayuan Logistics with Mongolia Hutie Investment, a subsidiary of Hohhot Railway Bureau, and other parties to engage in business of coal and mineral products transportation logistics. We hold a 9% equity interest in Huayuan Logistics and are the second largest shareholder after Mongolia Hutie Investment, which holds a 20% of equity interest in it. We anticipate that our investment in Huayuan Logistics will enable us to increase our railway transportation capacity and provide a more reliable means of transporting Mongolian coking coal into the eastern coastal provinces of China by extending railway transportation to those regions.

In addition, in March 2011, we entered into a strategic cooperation agreement with a subsidiary of China Shenhua Energy Company Limited, Shenhua Ganquan, which is the owner and operator of the 354 kilometer Ganquan Railway connecting Baotou and Gants Mod and in which our subsidiary Baotou Haotong holds a 5% equity interest. Pursuant to the strategic corporation agreement, Shenhua Ganquan will connect the Ganquan Railway to our logistics park and processing plant at Gants Mod. In exchange, our wholly-owned subsidiary, Baotou Haotong, will increase its shareholding from 5% to 9.5% in Shenhua Ganquan by investing an additional amount of RMB280 million in cash and become the second largest shareholder. Under the strategic cooperation agreement, we, as a shareholder in Shenhua Ganquan, will have the priority to be included in the transportation allocation plan of Ganquan Railway after it becomes operational, which is expected to be in 2012. This strategic cooperation agreement is subject to the shareholders' approval of Shenhua Ganquan and, after obtaining such an approval, we will enter into another agreement with Shenhua Ganquan to finalize the detailed contractual terms with respect to this project.

We anticipate that our investment in Huayuan Logistics and Shenhua Ganquan will enable us to increase our railway transportation capacity and provide a more reliable means of transporting Mongolian coking coal into the eastern coastal provinces of China by extending railway transportation to those regions.

We also plan to build railway logistics centres at Suifenhe and Hunchun along the Sino-Russian border which are connected to inland PRC by both road and railway lines.

Investment in rolling stock and other transportation-related vehicles

In addition to railways, railway-related infrastructure and railway logistics centers, we believe investing in rolling stock and other transportation-related vehicles will also create our transportation capacity and increase our ability to transport coal from the border crossings or ports to our customers. We plan to use certain of our existing railway joint ventures with the Hohhot Railway Bureau to work with the Hohhot Railway Bureau to purchase rail cars to transport coal. The rail cars will be purchased pursuant to contracts between such railway joint ventures and an affiliate of the Mongolia Hohhot Bureau and purchase agreements between such affiliate on behalf of the joint venture and the suppliers of the rail cars. Our railway joint ventures will seek to take delivery of the rail cars within one year after the license from the Ministry of Railways is obtained and the purchase agreements are completed. Our current plan is to purchase up to 6,000 rail cars through these joint venture at a current prices of RMB450,000 to RMB500,000. However, no assurance can be given that we will be able to do so. See "Risk Factors—our strategy to obtain more transportation capacity by investing in business owning rolling stock and railway may not be successful."

In addition, we are exploring investments, including minority investment in joint ventures with other PRC railway bureaus or their subsidiaries and other strategic partners to acquire rail cars and develop railway-related infrastructure. Please refer to the sections headed "Summary—Our business strategies—Further securing Chinese domestic railway capacity by becoming a strategic partner with Chinese railway bureaus to invest in rail cars, railways and railway-related infrastructure—Rolling stock and other transportation-related vehicles" and "Regulations—Transportation and logistics in the PRC—Transportation by self-owned rail cars" in this Offering Memorandum for further information.

Transportation of Seaborne Coal

Our seaborne coal suppliers, who supply on an FOB basis, arrange for transportation of coal up to the exporting ports and pay for all the costs before loading, whereas we are responsible for the costs after loading, ocean freight, insurance and other costs. Our seaborne coal suppliers, who supply on a CIF or CFR basis, arrange for transportation of coal to the disembarkation ports, and pay for the costs of ocean freight, insurance and other costs, whereas we are responsible for the charges on arrival.

We engage various shipping companies for the transportation of seaborne coal from our suppliers located in Australia, the US, Canada and Russia.

Depending on the needs of our customers upon arrival at the relevant port, our seaborne coal will be transported to our customers by road or rail or delivered to our customers at the port. Currently our processing plant at Bayuquan port is at the start-up stage and the processing plant at Longkou port is under construction. We also plan to construct docking facilities at Longkou port. We expect most of our seaborne coal to be delivered to these ports in the future.

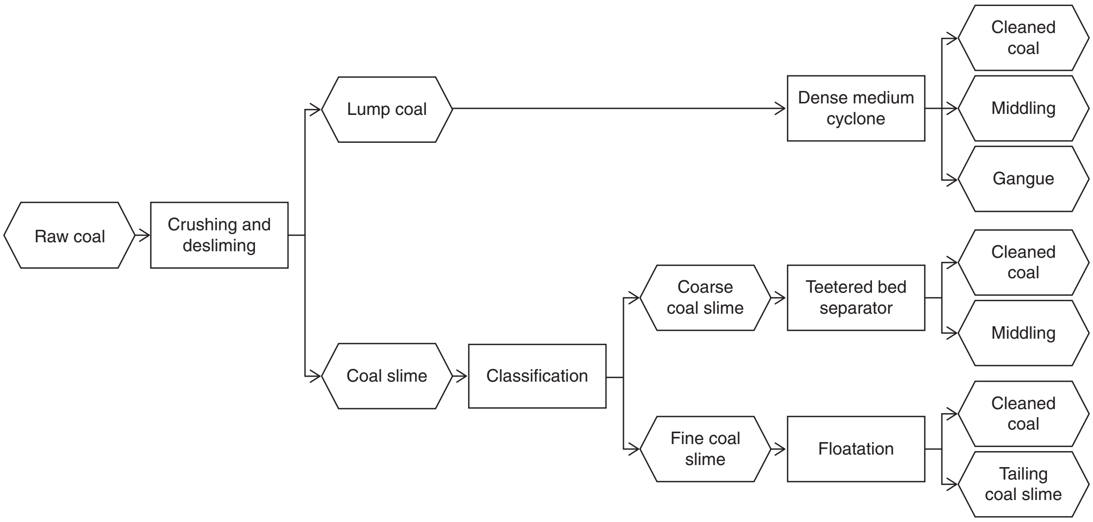
Coal processing

We recognize that not having processing capabilities can be a major impediment to the growth or profitability for some coal mining companies and operators. For example, coal mining companies and operators based in Mongolia and Russia may be unable to process raw coal and transport cleaned coal in cold weather during the winter months. Further, coal mining companies and operators located in Mongolia and other arid areas may be unable to process coal where the water supply is scarce. There are also a large number of coal mining companies and operators who operate on a smaller scale for whom coal processing is economically unviable. Further, most of the independent coal processing plants and coal processing plants affiliated with coal producers only process raw coking coal from a single coal mine located in proximity to the coal processing plants. We believe our large capacity for processing raw coking coal from various suppliers, and in particular those which do not possess their own coal processing capability, plays a key role in bridging these mines with steel makers and coke plants in China which typically require a long-term and stable supply of coking coal with varying characteristics.

Coal delivered to our coal processing plants is processed so that rock, sulphur and other contaminants are reduced according to our customers' specifications. As a result, our processed coking coal will have a higher carbon content, lower ash and sulphur content and a more stable quality than our raw coking coal which makes it suitable for coke production. Currently our Mongolian coal is processed at one of the two coal processing plants we operate at Ceke and Urad Zhongqi. These plants are strategically located along the transportation route connecting the Sino-Mongolian border and the main railway network in China allowing us to provide value-added coal processing services before delivery to our customers.

Urad Zhongqi coal processing plant

The coal processing plant at Urad Zhongqi uses a dense-medium separation process. The dense-medium separation process has a higher set up cost than the dry separation process and requires a large amount of water at the outset of the operation, but is capable of a more effective separation compared to the dry separation technology. The following flow chart illustrates the process flow of the dense-medium separation process:



To expand our coal processing capacity, we are currently constructing the fourth processing line in the coal processing plant at Urad Zhongqi. The coal processing plant at Urad Zhongqi had a processing capacity of 6.0 mtpa as at 31 December 2010 and we expect, after the fourth processing line is completed and fully operational, the capacity to reach 10.0 mtpa by the end of 2011.

Ceke coal processing plant

The coal processing plant at Ceke uses a dry separation process. The plant was completed in December 2009 and as at 31 December 2010 it had a processing capacity of 1.2 mtpa.

In the past, we have also engaged third-party coal processing plants to undertake coal processing for us. For the years ended 31 December 2008, 2009 and 2010, approximately 0.1 mt, 0.7 mt and 0.3 mt were processed by third-party coal processing plants. This arrangement is currently being phased out and we expect all future coal processing to be undertaken by our own plants, particularly upon the completion of the expansion of our coal processing plants in Urad Zhongqi and the new plants at Jining, Bayuquan port, Longkou port, Manzhouli and Suifenhe.

We use electricity in our coal processing operations. Electricity prices are under government control. We have not experienced any material disruption in electricity supply in recent years. The water we use in our coal processing operations is primarily from the district water supply system and underground sources. Water prices are under government control. We have not experienced any material disruption in or shortage of water supply in recent years.

We plan to expand our coal processing capability by way of capacity expansion at our existing coal processing plant at Urad Zhongqi and development of new coal processing plants. We have built or are building coal processing plants located at Jining, Bayuquan port and Longkou port, and are also constructing a new processing line in the plant at Urad Zhongqi. The processing plants at Jining and Bayuquan port are in the start-up stage while the plant at Longkou port is under construction. We expect that, when all of these newly constructed coal processing plants becoming fully operational, which is expected to be by the end of 2011, our coal processing capacity will be increased to 20 mtpa.

Customers and sales

Major customers

Most of our products are sold to steel makers and coke plants in China with steel makers considered to be our premium target clients given their high level of demand as an end-user for our products. We have built a stable and growing customer base in China, comprising many steel makers and coke plants in China in 2010. Our major customers include Baosteel in Shanghai, Wuhan Iron and Steel, Baotou Steel, Hebei Steel and Jiujiang Qian'an Coke.

We believe there are two main factors contributing to our success in building a large and stable customer base of steel makers and coke plants. The first is our ability to supply a range of high-quality coking coal products with consistent physical characteristics and the second is our ability to provide a reliable supply in large volumes. Steel makers and coke plants need a stable coke blend for their operations, and our ability to satisfy their requirements allow us to develop strong and long-term relationships with them.

We have entered into binding 30-year long-term strategic alliance agreements with Tangshan Jiahua and Jiujiang Qian'an Coke, respectively, a 10-year binding long-term strategic alliance agreement with Wuhan Iron and Steel and a binding long-term co-operation memorandum with Baosteel where we have agreed with such customers to supply different types of coal possessing specific characteristics for such amount of coal as may be required by such customers and agreed by the parties in the future and at such price to be determined with reference to the prevailing market price and surrounding circumstances. It is market practice that steel makers or coke producers enter into such type of strategic alliance agreements and memoranda with its key suppliers in order to agree upon the framework for future supplies and that subsequent formal sales contracts are executed pursuant to such agreements and memoranda. We believe that the strategic alliance agreements and memoranda entered between us and our customers as well as the recurrent business we have with our major customers since the establishment of our relationships with them demonstrate the confidence of our customers in us and our ability to supply coking coal products with consistent physical characteristics.

For the years ended 31 December 2008, 2009 and 2010, our sales to our five largest customers accounted for 91.1%, 33.0% and 33.9% respectively of our total sales. For the years ended 31 December 2008, 2009 and 2010, our sales to our single largest customer accounted for 56.7%, 9.7% and 13.1% of our total sales, respectively.

We usually enter into discussions with our customers prior to the end of each year to ascertain their production needs for the following year, and will make allocations of our products accordingly after taking into consideration the expected production capacity of our suppliers and our expected processing capacity. Consistent with Chinese coal market practices, we will then enter into formal sales contracts with our customers on a periodic basis with the term of the contract varying from a few months to one year and with specified quantities and timing of delivery during the term. In formulating our sales contracts, we will take into account the delivery schedule of our suppliers, transportation and processing time and capacity (including stocks in transit), and possible contingencies. The time of execution and length of sales contracts may differ from customer to customer, and is subject to our cooperation model and the operational needs of the customers concerned. We will enter into discussion with our customers and make adjustments to the sales volume and delivery schedule if required. In the past, we have not experienced any major deviation of actual sales volume and delivery schedule from the sales plan agreed between us and our customers.

Our sales contracts with our customers typically set out the terms of our sales, such as the amount and characteristics of coal to be sold, the sales price, mode of delivery, delivery date and mode of payment. The final sales price, in particular, is determined between us and our customers when we start delivery of the products. We usually extend credit (generally for periods not exceeding 90 days) to certain large steel makers and require most coke plants to make payment prior to delivery. Our customers usually settle their payments by account transfer or remittance. We did not experience any material payment defaults from our customers during the period comprising the three years ended 31 December 2010.

Products

We supply our coal to our customers, comprising primarily steel makers and coke plants, for their coke blending purpose. In general, hard coking coal comprises the largest component of the blends. The blends are then heated in the coke oven to produce coke.

Coke in blast furnaces functions not only as a source of fuel and a reducing agent, but also has to maintain permeability in the furnace, since coke is the only solid present in the shaft bottom and lower zone where the ore and flux soften and melt. The most important quality of coke is its strength under high temperature conditions. The coke should resist physical degradation during its passage through the blast furnace until it reaches the high temperature at the tuyeres where it is burnt. It is also important that the coke should not be degraded chemically by reacting with carbon dioxide and other gases, molten iron, alkalis and the like. The larger the blast furnace the stronger and less reactive the coke must be. As the Chinese steel industry modernizes with the addition of larger blast furnaces, we expect that the demand for hard coking coal will increase because coke producers need to increase the hard coking coal proportion in the coke blend in order to make stronger coke.

Typically cleaned coal will have lower ash and sulphur content than raw coal, but will otherwise maintain its original characteristics despite the coal processing. Currently all seaborne coal supplied by us to our customers is used in the coke blending process. The characteristics of seaborne coal supplied by us may vary depending on its source and our customers' requirements for their coke blend. In the future, we will continue to import seaborne coal and plan to process raw seaborne coal at our planned coal processing plants to be constructed at Bayuquan and Longkou ports.

Some seaborne coal may possess certain characteristics similar to those of the Mongolian coal supplied by us. However, even two types of coal with certain similar characteristics cannot be used interchangeably, as the remaining unique characteristics may contribute differently to the coke blend. Coke blend requirements of our customers and market prices are the key factors driving the demand for different types of coking coal that we supply. We work closely together with our customers to understand their coke blend requirements at the outset, and upon establishing our customers' requirements, will supply coal which possesses characteristics required by our customers in accordance with an agreed schedule. In order to produce coke with steady and acceptable quality, we understand that it is of utmost importance for our customers that a steady supply of coal, both in terms of volume and characteristics, can be assured.

The following table sets forth our turnover by source for each of years ended 31 December 2008, 2009 and 2010, respectively.

	Years ended 31 December			
	2008	**2009**	**2010**	**2010**
	HKD'000	**HKD'000**	**HKD'000**	**USD'000**
Turnover				
Mongolian coal	1,101,960	1,994,845	5,073,434	652,029
Seaborne coal	-	3,215,877	4,155,712	534,085
Others	11,898	72,494	42,519	5,464
Total	1,113,858	5,283,216	9,271,665	1,191,578

While we expect a significant portion of our sales to continue to come from Mongolian coking coal, we believe our ability to produce a range of coal products from other sources with customized specifications at a competitive cost to suit our customers' needs is critical to maintaining a solid and stable relationship with them.

Sales team

Our general sales and marketing strategy is to strengthen our relationship with our existing customers as well as to explore opportunities with potential customers to enhance our market position.

We have a dedicated sales team to service our customers across China. As at 31 December 2010, our sales and marketing team employed 40 staff. Our sales staff visit our customers on a regular basis to understand their production plans, logistics arrangements, coke blend requirements, market conditions and market trends in coal prices, as well as to provide after-sales consultation. We develop our new business mainly through visiting potential customers and providing them with product samples at trial price.

Inventory

As a result of the long transit time from Sino-Mongolian border to our customers in various parts of China and the time spent on coal processing, our inventory has a relatively long operating cycle. On average, the delivery time from our suppliers' mine to our logistics parks at the Gants Mod and Ceke border crossings to be one to two days, total time for transportation to our coal processing plants, loading/unloading, testing and coal processing to be one to two days and transit time from our border crossings or coal processing plants to designated delivery points of our customers to be eight to ten days. In order to maintain a smooth flow of product across the supply chain and to ensure a stable supply to our customers, we need to maintain a sufficient level of inventory for our business operations. Compared with Mongolian coal, our seaborne coal generally has a shorter operating cycle due to its simpler delivery process and shorter sales radius.

We have an inventory policy to maintain a level of coal products sufficient to fulfill our customers' demands and, at the same time, manage our exposure to market fluctuations. It is our policy to purchase sufficient amount of raw coal based on our production schedule and sales schedule and to maintain an average of two week's supply of raw coal at our stockpile area for our coal processing needs and one week's supply for coal processing. If in anticipation of a change in demand according to our production capacity or sales schedule, or any circumstance arises which requires us to change our stock level, such issue will be discussed amongst our senior management and procurement teams, and once a decision is reached, our procurement teams will discuss adjustments with our suppliers and adjust our purchase schedule where necessary. For Mongolian cleaned coal, it is our practice to keep minimal stock of cleaned coal in the storage warehouse at our coal processing plants to minimize inventory risk. We also have on average two weeks' supply of cleaned coal in transit, arranged in accordance with our sales schedule. We do not however make inventory decisions based on market speculation. In order to achieve that, our procurement teams, sales teams and production teams work closely to monitor our inventory flow and stock level on a regular basis, including conducting stock-take on a monthly basis.

We have designated staff responsible for maintaining suitable storage conditions for all our coal inventories stored in stockpile areas at our Gants Mod and Ceke logistics parks and our coal processing plants at Urad Zhongqi and Ceke.

During the period comprising the three years ended 31 December 2010, our inventory turnover days calculated as the average ending inventory balances on its cost of goods sold was 164 days, 66 days and 80 days, respectively.

Quality control

Recognizing that a long-term and stable supply of coking coal with consistent physical characteristics is crucial to our customers, we have implemented a quality control system to ensure that the characteristics and specifications of our coal products are able to meet the requirements of our customers.

All Mongolian coal delivered to us is weighed and inspected upon arrival at our stockpile area to verify the amount delivered. Our Mongolian coal is then measured and tested where samples from each batch of delivery are taken for testing at the coal testing centres located within our Gants Mod and Ceke logistics parks to confirm that the coal meets our requirements.

Coal arriving at our coal processing plants is tested again upon arrival. After being processed, the cleaned coal is further tested before it is delivered to our customers to ensure that it conforms to their specifications and requirements.

We adopt standard international practices in relation to coal testing for our seaborne coal. Samples of our seaborne coal are taken at ports for quality determination during loading operations by independent inspection companies appointed by our suppliers. Our seaborne coal undergoes the China Inspection and Quarantine testing after being unloaded at the disembarkation port in China by qualified laboratories in China appointed by us. Sampling work including preparation of the samples and quality analysis are all performed in accordance with ISO standards, British standards or ASTM standards.

Our suppliers do not have a sales return policy. In general, we may deduct a certain sum from the amount payable by us if there is any discrepancy between specifications of the coal supplied to us and the specifications stated in the relevant sales contract. During the period comprising the three years ended 31 December 2010, we made no such deductions.

Likewise, we do not have a sales return policy for our sales. In general, our customers may deduct a certain sum from the amount payable to us if there is any discrepancy between specifications of the coal supplied by us and the specifications stated in the relevant sales contract. During the period comprising the three years ended 31 December 2010, none of our customers made any substantial amount of such deductions.

Competition

We believe we are one of the few companies which have built an integrated coking coal supply business model to supply Mongolian coking coal into China. We believe our integrated coking coal supply business model is distinguishable through the considerable scale and profitability we have achieved. We believe our integrated service platform comprising logistics parks at border crossings, coal processing plants located along our transportation and distribution routes and established relationships with transportation companies in Mongolia and in China, is difficult to replicate and create a high entry barrier for potential competitors. In particular a replication of our business model would require substantial initial capital outlay, strong distribution network and large offtaking capability.

We believe many other companies supplying Mongolian coal into China only participate in limited parts of the supply chain, are mostly purchasing Mongolian coal for their own consumption and operating on a smaller scale and/or do not possess or have access to key infrastructure at border crossings.

Whilst we believe that we have a unique position in the market with very few direct competitors, as a supplier of coking coal we are still subject to the same competitive dynamics as other participants in the industry. Competition in the Chinese coking coal market is significant with participants competing on numerous bases such as price and cost, production capacity and transport capabilities and coal quality and characteristics.

Regulatory compliance

Other than our operating subsidiaries that conduct international procurement, all of our operating subsidiaries conduct business operations in China. We have obtained all necessary licenses, permits, certificates and registrations for our coal supply business in China.

The main permit required for our operation is a coal operation certificate. As at 31 December 2010, we have obtained the coal operation certificates for our main operating subsidiaries, including Inner Mongolia Haotong, Yiteng, Baotou Haotong, Nantong Haotong, Erlianhaote Haotong, Ejina Qi Haotong, Yingkou Haotong, Ulanqab Haotong, Baotou Mandula and Suifenhe Winsway.

As at 31 December 2010, we had not encountered any material breaches of any relevant laws, regulations or rules in relation to our operations.

Our legal advisers as to the PRC law, King & Wood, confirm that, other than certain regulatory inspections with respect to completion of the expansion at our Ceke coal processing plant, approvals in respect of the construction and planning of our border-crossing conveyor belt systems connecting the Ceke logistics park and the Gants Mod logistics park and the coal processing plant in Longkou port, and construction and/or planning permits and/or regulatory inspection with respect to the completion of our railway loading system at Ceke, our railway logistics park at Erlianhaote and our coal processing plant at Jining and Bayuquan port, our operating subsidiaries in the PRC possess all the necessary licenses, permits and certificates in respect of the business activities currently conducted by them and such activities are in compliance with all applicable PRC laws and regulations.

We plan to acquire rail cars and other transportation-related vehicles through our subsidiaries, joint ventures and/or entities in which we have a minority interest to participate in certain railway projects for the purpose of increasing our transportation capacity. According to the relevant regulations, those railway joint ventures will need to obtain licenses from the Ministry of Railways to hold the title of the rail cars. Please refer to the section headed "Regulations—Transportation and logistics in the PRC—Transportation by self-owned rail cars" in this Offering Memorandum for future information.

Environmental

We are subject to the PRC environmental protection laws and regulations which currently impose fees for the discharge of waste substances, require the payment of fines for serious pollution and provide for the discretion of the PRC Government to close any facility which fails to comply with orders requiring it to cease or cure operations causing environmental damage.

We have a team of over 20 experienced environmental and safety personnel who are in charge of the formulation of the reporting requirements, management of estimated costs and related management oversight of safety and environmental protection. During the period comprising the three years ended 31 December 2010, we were not subject or party to any environmental investigations or disputes, and did not have any outstanding penalties payable for any breaches of environmental protection laws and regulations.

Property

Properties owned and occupied

We have made substantial investments in acquiring land use rights for our existing operations as well as for our future development and expansion. We own substantial all the land on which our operations are located and we lease some additional facilities and land as necessary for our operations from time to time.

As at 31 December 2010, we had land use rights and building ownership certificates of a number of properties in Gants Mod, Jinquan Industrial Park and Ceke areas, including parcels of land covering approximately 1,982,290 sqm and 72 buildings. In addition, as at 31 December 2010, we had in total 40 buildings built on those parcels of land pending completion of ownership certificates, environmental protection examination and acceptance and several buildings and structures under construction pending construction permits.

As at 31 December 2010, the Group has completed all completion examination and acceptance procedures required for the expansion of Urad Zhongqi coal processing plant and the Ceke coal processing plant, which are both in operation, save for those relating to environmental protection. We have submitted all necessary documents and information in relation to the environmental protection examination and acceptances in respect of these projects and we do not anticipate any legal impediments in obtaining the above.

As at 31 December 2010, we had also obtained the required land use rights for lands in Baiyun'ebo District in Baotou, Erlianhaote, Bayuquan port and Manzhouli areas. Depending on the requirements under our agreements and orders from relevant administrative authorities in respect of those properties, we might commence or resume construction for our projects on some of those lands.

Properties leased

As at 31 December 2010, we leased 32 properties in China for office, dormitory and storage purposes and four properties located in Hong Kong, Australia and the People's Republic of Mongolia for office and dormitory purposes.

Insurance

We have, in accordance with relevant regulations, maintained occupational injury, medical, and retirement insurance for our employees. We have also taken out insurance coverage for all our sea freights. We will continue to review and assess our risks and make necessary adjustments to our insurance practice in line with our needs and industry practice in the PRC.

Intellectual property

We have operated under the "**WINSWAY®**", "永暉®", "WINSWAY 永暉®", "浩通®" and "BESTWAY®" trademarks. These trademarks are registered in China and owned by Beijing Winsway Investment. Beijing Winsway Investment has agreed to grant us and our PRC subsidiaries a license to use these trademarks within China under the Trademark (Onshore) Licence Agreements for a period of ten years on a royalty-free and non-exclusive basis.

We have also operated under the "永暉焦煤" and "浩通焦煤" trademarks. Beijing Winsway Investment has granted us and our PRC subsidiaries a license to use these trademarks pending registration by it under the Licence for Non-registered Trademarks. Beijing Winsway Investment has agreed that once these trademarks are officially registered with the relevant trademark authorities of the PRC, it will license them to us and our PRC subsidiaries for a period of 10 years commencing from the date of approval of registration of such trademarks on a royalty-free and non-exclusive basis.

The "**WINSWAY®**" trademark is also registered in Hong Kong and owned by Winsway Resources Holdings. Winsway Resources Holdings has granted us and our subsidiaries a license to use the "**WINSWAY®**" trademark in Hong Kong under the Trademark (Offshore) Licence Agreement for a period of 10 years on a royalty-free and non-exclusive basis.

For further details of these licensing arrangements, please refer to the section headed "Related Party and Connected Transactions—Connected Transactions" in this Offering Memorandum.

Further details of our intellectual property rights are set forth in the sections headed "Relationship with Controlling Shareholders and Connected Transactions" in this Offering Memorandum.

Legal proceedings

We were not involved in any material contractual disputes or legal proceedings during the three years ended 31 December 2010. As of the date of this Offering Memorandum, we were not aware of any material litigation, arbitration or claim against us that could have a material adverse effect on our financial condition or results of operations.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our trading of coal and plan for constructing new facilities, we, along with our subsidiaries and associated entities, have entered into loan facilities agreements with various financial institutions. We set forth below a summary of the material terms and conditions of certain of these loans and other indebtedness.

Overseas banking facilities

US$135,000,000 banking facilities ("OCBC Facilities")

On 28 December 2010, Color Future, Winsway Singapore and the Company entered into a banking facilities arrangement with Overseas-Chinese Banking Corporation Limited ("**OCBC**") for the purpose of financing the purchase and trading of coal, coke and related products. The facilities include general banking and treasury facilities with an aggregate limit up to US$135,000,000. The maximum tenor of the general banking facilities varies from 30 days to 180 days, and the maximum tenor of the treasury facilities is 12 months. As of 31 December 2010, we have applied to use certain amount under the facilities for the issuance of letters of credit and such letters of credit have yet to be issued.

Interest

The facility provides for an annual interest rate ranging from 1.25% to 2% plus OCBC's cost of funds.

Guarantee and Security

Under the OCBC Facilities, each of the borrowers provided a guarantee of the obligations of the other borrowers. In addition, the OCBC Facilities are secured by an assignment, charge or pledge on documents or items related to export and trading, including export credits, collection bills, sales contracts, receivables, insurance, trade documents and goods, and charges on cash deposits of the borrowers.

Covenants

Under the OCBC facilities, each of the borrowers undertakes that it shall:

- not materially change its line of business without the bank's prior written consent;
- not sell, transfer or otherwise dispose of any material part of its assets without OCBC's prior written consent, other than in the normal course of its business transacted on a arm's length basis;
- ensure that in respect of any property acquired by the borrowers through financing provided by OCBC, no security interest is created or exists over such property in favor of other banks or financial institutions without prior written consent of OCBC unless the financing by OCBC for such acquisition has been fully repaid;
- not undertake or permit any change in its constitution, including any re-organization, amalgamation, consolidation, reconstruction, take-over or otherwise without OCBC's prior written consent;
- not assign, transfer or otherwise dispose of any rights, interests or benefits under or in connection with any of the pledged assets or enter into any agreement to do so except in favor of OCBC; and
- not create or permit to exist any security interest or any other interest of whatever nature on or over any of the pledged assets in favor of any person other than OCBC.

US$100,000,000 banking facilities ("ABC Facilities")

On 8 December 2010, Color Future, Winsway Singapore and the Company entered into a banking facilities arrangement with Agricultural Bank of China Limited, Hong Kong Branch ("**ABC**") for the purpose of trade finance. The facilities include (i) back to back letters of credit financing facilities; and (ii) general trade and working capital facilities against payment undertakings. The two facilities above are complementary such that the combined outstanding balance under the two facilities is not permitted to exceed US$100,000,000 at any time and the total financing period of any transaction is not permitted to exceed 120 days. As of 31 December 2010, total loan amount under the facility was US$7,626,382.

Interest

Borrowings under the facilities bear interest at a per annum rate of HIBOR/LIBOR plus 1% or 1.5%, as selected.

Guarantee and Security

Under the ABC facilities, each of the borrowers has guaranteed the obligations of the other borrowers. For the general trade and working capital facility, the borrowers are required to execute an assignment of receivables to place the payment of receivables to the designated account with the bank, and deposit 10% of the amount of each irrevocable letter of credit with ABC.

Covenants

The terms of the ABC Facilities provide that:

- neither the borrowers nor the guarantors shall (whether by a single transaction or a series of transactions and whether at one time or over a period of time) sell, transfer, lease out, lend or otherwise dispose of all or substantially all of its assets or any part thereof which either alone or when aggregated with all other disposals is substantial in relation to its assets or the disposal of which (either alone or when so aggregated) could have a material adverse effect;

- the borrowers and guarantors shall not without the prior written consent of ABC: (i) undertake or permit any re-organization, amalgamation, reconstruction, take-over, substantial change of shareholders or any other schemes of compromise or arrangement affecting its present constitution; and (ii) make a substantial alteration to the nature of its business or amend or alter the provisions in the borrowers' memorandum and articles of association relating to its borrowing powers and principal business activities;

- the borrowers and guarantors shall notify ABC in the cases of winding-up, liquidation or becoming insolvent; and

- the borrowers may not assign any of their rights under the facilities without ABC's prior written consent.

US$75,000,000 working capital facilities ("DB Facilities")

On 20 January 2011, Winsway Singapore entered into a US$75,000,000 loan agreement with Deutsche Bank AG, Hong Kong Branch ("**DB Hong Kong**") as lender for the purpose of financing working capital of the borrower and payments for the purchase of coal from overseas by the borrower. The maturity date will be the first anniversary of each advance.

Interest

The interest on each advance will be calculated at 0.5% per annum.

Security

Each advance and any amount due under the DB Facilities by the borrower are secured by:

- a pledge over a RMB non-resident account granted by the borrower as depositor in favor of Deutsche Bank (China) Co., Ltd., Shanghai Branch as pledge agent and account bank for the lender; and
- a charge over the RMB account to be granted by the borrower in favor of DB Hong Kong.

Covenants

The borrower shall not create or allow to exist any security interest over any pledged asset and shall ensure that the Company will not permit any reduction of its shareholding in the borrower without the prior consent of DB Hong Kong.

US$75,000,000 uncommitted facilities ("ING Facilities")

On 12 May 2010, Color Future and the Company entered into a banking facilities arrangement on an uncommitted basis with ING Bank N.V. ("**ING**") for financing purposes. The agreement includes various facilities, including facilities for financing on a back-to-back, front-to-back or open account basis and facilities for financing transactions secured by export proceeds or bills. The maximum tenor of the facilities varies from one to three months. The aggregate limit of facilities is US$75,000,000. As of 31 December 2010, we have applied to use certain amount under the facilities for the issuance of letters of credit and such letters of credit have yet to be issued.

Interest

Borrowings under the facilities bear interest rate at a per annum rate of 1.5% plus ING's cost of funds, except for negotiation of clean, non-discrepant export bills under export documentary credit which are subject to an interest rate at a per annum rate of 1% plus ING's cost of funds.

Guarantee and Security

Under the ING Facilities, Winsway Group and Winsway Resources provided a guarantee of the obligations of the borrowers, which guarantee was released in 2010. In addition, under the ING Facilities, the total liabilities under the facilities are secured by a cash deposit of 10% on the outstanding amount under the respective facilities, and an assignment of relevant receivables by relevant borrower in favor of the bank.

Covenant

Under the ING Facilities, an event of default occurs if the borrowers' undertaking property or assets or any part thereof from time to time considered by the bank to be material is sold, disposed of or compulsorily acquired.

The ING Facilities further provide that the borrowers shall notify the bank in writing of any proposed material changes in the shareholding structure, management, and business engagements of each of the borrowers and guarantors, and shall notify ING in writing and provide any other information pertaining to the financial, business and/or shareholding status including, *inter alia*, change in directors, share capital and/or shareholders of the borrowers and the guarantors and/or their subsidiaries, and/or affiliated companies.

US$70,000,000 general banking facilities ("Rabobank Facilities")

On 5 August 2010, Color Future, Winsway Singapore, Winsway Coking Coal Holding (HK) and the Company entered into a banking facilities arrangement with Rabobank International Hong Kong Branch ("**Rabobank**") for general financing purposes. The aggregate limit of the Rabobank Facilities is US$70,000,000. The maximum tenor of the facilities varies from 30 days to 90 days depending on the facilities provided. As of 31 December 2010, no funds had been utilized under the facilities.

Interest

Borrowings under the facilities bear interest at a per annum rate of 2.5% plus Rabobank's cost of funds.

Guarantee and Security

Under the Rabobank Facilities, each of Mr. Wang, Winsway Group and Winsway Singapore provided a guarantee of the obligations of the borrowers, which guarantee was released in 2010. In addition, the facilities are secured by an assignment, charge or pledge on documents or items related to export and trading, including export credits, collection bills, sales contracts, receivables, insurance, trade documents and goods, and a 5% or 10% cash deposit of the amount of the respective letters of credit.

Covenants

Under the Rabobank Facilities, the borrowers undertake that:

- each of the borrowers shall not (and shall ensure that no member of the Group will) create, grant or permit any security interest or encumbrance (howsoever described) over its assets or revenue of the Group without the prior written consent of the bank;
- should there be any newly pledged collateral in favor of other lenders, such pledge shall also be provided in favor of Rabobank;
- not to agree to charge, pledge or otherwise dispose of or encumber any of the master letters of credit, the sale contracts or the assigned monies in favor of any other person;
- not to assign, transfer or otherwise dispose of any rights, interests or benefits under or in connection with any of the pledged assets or enter into any agreement(s) to do so (except pursuant to the Rabobank Facilities); and
- not to create or permit to exist any security interest or any other interest of whatever nature on or over any of the pledged assets in favor of any person other than the bank.

Rabobank has provided such consent in connection with the Offering of the Notes and the related Subsidiary Guarantees and the pledge of Subsidiary Guarantor stock.

US$35,000,000 uncommitted facilities ("ANZ Facilities")

On 19 May 2010, Color Future, Winsway Singapore and the Company entered into a banking facility arrangement on an uncommitted basis with Australia and New Zealand Banking Group Limited, Hong Kong

Branch ("**ANZ**") for coking coal trading purposes. The facilities include (i) a documentary credit (sight or usance) facility; (ii) a trade finance loan facility (advances against freight invoice); (iii) a trade finance loan facility (advance against payment undertaking); (iv) an export documentary credit negotiation without discrepancies facility; and (v) a financial standby letter of credit facility. The aggregate drawings of the facilities shall not exceed US$35,000,000. The standby letter of credit facility matured on 30 January 2011, and the other facilities are subject to a maximum tenor of 90 days for each drawing. As of 31 December 2010, no funds had been utilized under these facilities.

Interest

Funded drawings under the ANZ facilities bear an interest at a per annum rate of 2% plus the bank's cost of funds.

Guarantee and Security

Under the ANZ Facilities, Winsway Resources and Mr. Wang provided a guarantee of the obligations of the borrowers, which guarantee was released in 2010. In addition, under the ANZ Facilities, all amounts owed by the borrowers are secured by an assignment of, or charge or pledge on, documents and items related export and trading, including export documentary credits, collection bills, sales contracts, insurance, documents relating to transportation and goods, charges on cash deposits of the borrowers, and charges and other security or credit support that may be requested by ANZ from time to time.

Covenants

Under the ANZ Facilities, each of the borrowers and the guarantors undertakes for so long as the ANZ Facilities subsist that:

- it shall not, and shall procure that none of its subsidiaries shall, create or permit to subsist any encumbrance over all (or any substantial part of) its present or future revenues, undertaking or assets; and

- it shall promptly notify ANZ in writing of any material change in its shareholders, directors or management.

ANZ has waived the restriction on encumbrances in connection with the pledge of Subsidiary Guarantor stock to secure the Notes and Subsidiary Guarantees.

PRC facilities agreements

Trade Finance Facilities

Certain of our PRC subsidiaries have entered into trade finance facility agreements with Bank of China, Bank of Jiangsu, Raiffisen Zentralbank Österreich AG, Beijing Branch ("RZB Bank"), Bank of Communications, Everbright Bank, Nanyang Commercial Bank, Bank of Nanjing and Agricultural Bank of China. The maximum amount of facilities available under these agreements in aggregate is RMB1,932,750,000 plus US$6,000,000.

Guarantee and Security

Our PRC subsidiaries have entered into various guarantee agreements to guarantee the indebtedness of the borrower PRC subsidiaries under the bank facilities with Bank of China, Bank of Jiangsu, RZB Bank, Bank of Communications, Everbright Bank, Nanyang Commercial Bank, Bank of Nanjing and Agricultural Bank of China.

Our trade finance facilities are secured in the form of a mortgage or pledge over real property, cash deposits, goods and/or receivables.

Covenants and undertakings

Under the trade finance facilities, the relevant subsidiaries (each in the capacity of borrower, guarantor and/or pledgor) have agreement, among other things, to:

- use the proceeds from the borrowings as designated;
- seek the bank's prior consent and provide further guarantee as required by the bank from time to time if the borrowers create charges or pledges over their assets, or provide guarantee for others, which would adversely affect the borrowers' ability to repay the debt;
- promptly notify the bank of any material adverse change in the borrowers' operation and financial position;
- notify the bank of any connected transactions in an amount of more than 10% of the borrower's net assets;
- notify the bank if the borrower sells, leases, transfers, charges, pledges or in any other form disposes of material assets, or all or substantial part of its assets;
- notify the banks with respect to any change to the borrowers' directors or beneficial shareholders, constitutional documents and the scope or general nature of the existing business; and
- ensure the claims of the banks against the borrowers under the facilities agreement to be ranked at least *pari passu* with the claims of all other unsecured and unsubordinated creditors of the borrowers.

in addition:

- pursuant to the facility agreement between Nantong Haotong as borrower, Bank of China, Nantong Chongchuan Branch as lender and Inner Mongolia Haotong as guarantor, the borrower and guarantor shall promptly notify the bank if there is occurrence of any circumstances, which would affect the financial position of and ability to perform the agreement by the borrower or guarantor, including but not limited to spin off in any form, merger, consortium, joint venture with foreign enterprises, co-operation, contractual operation, re-organization, reform, change in business practice such as listing of shares, reduction of registered capital, transfer of the material assets or equity, bearing material indebtedness, or creation of new indebtedness over the collateral, the collateral being seized, dissolution, rescission, petition for bankruptcy or involuntary bankruptcy, or involved in material litigation or arbitration;
- pursuant to the facility agreement between Inner Mongolia Haotong and Nantong Haotong as borrowers, Bank of Communications as lender and Beijing Winsway and Yiteng as guarantors, the borrowers and guarantors shall seek prior consent from the bank if the borrowers' operation or corporate structure has material changes, including but not limited to contracting of operation, lease, association, transform into corporation, transform into joint stock corporation, sale of enterprise, merger, spin-off, establishment of subsidiaries, title transfer or reduction of capital;
- pursuant to the facility agreement between Beijing Winsway as borrower, Everbright Bank as lender and Inner Mongolia Haotong as guarantor, the borrower and guarantor shall notify the bank and repay the outstanding amount in the case of reorganization, merger, acquisition, spin-off, change of business

operation by contracting of operation or lease, change the business practice, dissolution or insolvency of the borrower; and

• pursuant to the facility agreement between Yingkou Haotong as borrower, Nanyang Commercial Bank as lender and Yiteng, Inner Mongolia Hoatong and the borrower as guarantors, the borrower shall not (i) repay its shareholders' loan prior to the obligation under the facility agreement without the bank's written consent; (ii) announce or pay dividend prior to the outstanding loan has been fully paid, without the bank's written consent; (iii) apply for further loan facilities from any other financial institutions without prior written consent from the bank.

Project Finance Facilities

Agricultural Bank of China Finance Agreement

Ejinaqi Hoatong entered into a RMB67,000,000 facility agreement dated 28 September 2010, as borrower, with Inner Mongolia Haotong, as guarantor, and Agricultural Bank of China, Ejinaqi Branch, as lender. The proceeds of the facility shall be used to finance the construction project of Ceke Logistics Park. The facility will expire on 27 September 2015.

Interest

The interest rate of the loans shall be 120% of the applicable benchmark lending rate of PBOC.

Guarantee and Security

Under the facilities Inner Mongolia Haotong has given a guarantee of the obligations of the borrower and the facilities are secured by pledge of fixed assets to be constructed under the project.

Undertaking and Covenants

Under the facility, the borrower agreed, among other things, not to conduct any of the following without the banks' consent:

• engaging in subcontracting, leasing, reorganization, amalgamation, merger, acquisition, spin-off, capital reduction, joint venture, transferring its material assets, making substantial overseas investment, issuing bonds, or applying for suspension of business, dissolution or bankruptcy;

• creating pledge or charging over the assets or income generated under such assets, which are financed under the facilities, in favor of a third party; and

• creating pledge or charging over its major assets, or granting guarantee for others, which would adversely affect its ability to repay the debts.

Nanyang Commercial Bank

On 29 October 2010, Yingkou Haotong entered into a RMB60,000,000 loan facility arrangement with Nanyang Commercial Bank (China) Limited, Beijing Branch. The proceeds of the facility shall be used to finance the construction project of the fixed assets at Bayuquan, Yingkong City. The facility will expire on 29 October 2013.

Interest

The facility is subject to an annual interest rate equivalent to the 1 to 3 year benchmark lending rate of PBOC depending on the tenor of the facilities.

Guarantee and Security

Under the facility, Yiteng and Inner Mongolia Haotong have given a guarantee of the obligations of the borrower and the facilities are secured by charge over the land use right, property and equipment of the borrower.

Undertaking and Covenant

Under the facility, among others, the borrower covenanted not to:

- use the facilities for the purpose other than specified in the facility;
- repay its shareholders' loan prior to the obligations under the facility without the bank's written consent;
- announce or pay dividend prior to the outstanding loan amount under the facility has been fully paid, without the bank's written consent;
- create pledge or charge over its material assets, or providing guarantee for others, or transfer or pledge its shares;
- apply for any further loan facilities from any other financial institutions without prior written consent from the bank; and
- transfer, sell or create charge over the charged assets without the bank's prior written consent.

The guarantor undertaked that it shall not grant guarantee for any third party, which will exceeds the guarantor's ability to repay its debts.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Company" refers only to Winsway Coking Coal Holding Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which guarantees the Notes is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee."

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Deutsche Bank Trust Company Americas, as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the Notes and the Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at Deutsche Bank Trust Company Americas, 60 Wall Street, MSNYC 60-2710, New York, New York 10005, Attn: Trust and Securities Services.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under "—The Subsidiary Guarantees" and in "Risk Factors—Risks Relating to the Subsidiary Guarantees and the Collateral";
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (defined below); and
- effectively subordinated to all existing and future secured obligations of the Company to the extent of the collateral securing such obligations (other than the Collateral).

In addition, on the Original Issue Date, subject to the limitations described in "Risk Factors—Risks Relating to the Subsidiary Guarantees and the Collateral," the Notes will be secured by a pledge of the Collateral as described below under "—Security" and will:

- be entitled to a first-priority lien on the Collateral (subject to any Permitted Liens); and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on 8 April 2016, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "—Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued. The Notes will bear interest at 8.50% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on 8 April and 8 October of each year (each an "Interest Payment Date"), commencing 8 October 2011.

Interest on the Notes will be paid to Holders of record at the close of business on 24 March or 23 September immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in US dollars by the Company at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York (which initially will be the corporate trust administration office of the Trustee, currently located at 60 Wall Street, MSNYC 60-2710, New York, New York 10005), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through DTC will be available to DTC participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (as defined below). Certain of the initial Subsidiary Guarantors are holding companies that do not have significant operations.

The initial Subsidiary Guarantors will be Reach Goal Management Ltd., Color Future International Limited, Winsway Resources Holdings Private Limited, Winsway Australia Pty. Ltd., Winsway Coking Coal (HK) Holdings Limited, Cheer Top Enterprises Limited, Royce Petrochemicals Limited, King Resources Holdings Limited, Winsway Coking Coal Logistics Co., Winsway Mongolian Transportation Pte. Ltd., Lucky Colour Limited, Eternal International Logistics Limited, Million Super Star Limited and More Richway Limited.

The following Restricted Subsidiaries will not be Subsidiary Guarantors:

- all Subsidiaries organized under the laws of PRC (together, the "PRC Non-Guarantor Subsidiaries"); and

- Winsway Coking Coal (Macao Commercial Offshore) Limited ("Winsway Coking Coal Macao"), as long as it is an Immaterial Administrative Subsidiary (together with PRC Non-Guarantor Subsidiaries, "Non-Guarantor Subsidiaries").

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC), promptly upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which it will Guarantee the payment of the Notes. The Company will cause Winsway Coking Coal Macao, promptly after it loses the status of an Immaterial Administrative Subsidiary while being a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which it will Guarantee the payment of the Notes.

Each Restricted Subsidiary that Guarantees the Notes after the Original Issue Date is referred to as a "Future Subsidiary Guarantor" and, upon execution of the applicable supplemental indenture to the Indenture, will be a "Subsidiary Guarantor."

None of the existing PRC Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee at any time in the future. Moreover, no future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

As of 31 December 2010,

- the Company and its consolidated subsidiaries (including the Non-Guarantor Subsidiaries) had total loan of approximately HKD 1,072.7 million (US$137.9 million), all of which was secured; and

- the Non-Guarantor Subsidiaries had total loan of approximately HKD 1,013.3 million (US$130.2 million).

In addition, as of 31 December 2010, the contracted capital commitments of the PRC subsidiaries of the Group was approximately HKD 540.8 million (US$69.5 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;

- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and

- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

In addition, subject to the limitations described in "Risk Factors—Risks Relating to the Subsidiary Guarantees and the Collateral," the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor will:

- be entitled to a first-ranking security interest in the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor, as described below under "—Security"; and

- rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in US dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including Guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. See "Risk Factors—Risks Relating to the Subsidiary Guarantees and the Collateral—The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees".

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;

- upon a defeasance as described under "—Defeasance—Defeasance and Discharge";

- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture; or

- upon the sale or merger of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants under "—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "—Certain Covenants—Limitation on Asset Sales" and "—Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor no longer being a

Restricted Subsidiary, so long as (1) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

Security

The Company has agreed, for the benefit of the Holders, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of the initial Subsidiary Guarantors (the "Collateral") on a first-priority basis (subject to Permitted Liens) on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The initial Subsidiary Guarantor Pledgors are Reach Goal Management Limited, Winsway Coking Coal (HK) Holdings Limited and Cheer Top Enterprises Limited.

The Company and the initial Subsidiary Guarantor Pledgors have agreed to:

(a) execute one or more Security Documents granting to the Collateral Agent for the benefit of the Holders, first priority Liens (subject to any Permitted Liens and *pari passu* sharing as described below) (collectively, the "First Priority Lien") on relevant Collateral, substantially in the form attached to the Indenture;

(b) take all requisite steps under applicable laws and undertake other customary procedures in connection with the granting and perfection (if relevant) of the First Priority Lien on relevant Collateral (subject to any Permitted Liens and pari passu sharing as described below); and

(c) promptly deliver to the Trustee an Opinion of Counsel and Officers' Certificate relating to each such pledge in form and substance as set forth in the Indenture.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date. In addition, none of the Capital Stock of any future Restricted Subsidiary that is organized under the laws of the PRC, or any Restricted Subsidiary that is directly owned by a Subsidiary organized under the laws of the PRC, will be pledged at any time in the future.

The Company has agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor to pledge, the Capital Stock owned by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC or a Restricted Subsidiary owned directly by such Person) after the Original Issue Date, promptly upon such Person becoming a Restricted Subsidiary, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above. Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a "Future Subsidiary Guarantor Pledgor" and, upon giving such pledge, will be a "Subsidiary Guarantor Pledgor."

In addition, the Company has agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor to pledge, any Capital Stock of a Restricted Subsidiary (other than a Restricted Subsidiary organized under the laws of the PRC or a Restricted Subsidiary owned directly by such Restricted Subsidiary) acquired, or otherwise obtained, after the Original Issue Date by the Company or such Subsidiary Guarantor, promptly upon such Capital Stock being acquired or otherwise obtained, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee.

The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantee (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See "—Release of Security" and "Risk Factors—Risks Relating to the Subsidiary Guarantees and the Collateral—The value of the Collateral will likely not be sufficient to satisfy the Company's obligations under the Notes".

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement). Some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and any Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and any Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) and any Pari Passu Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company and any such Pari Passu Subsidiary Guarantee, "Permitted Pari Passu Secured Indebtedness"); *provided* that (1) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness by the covenant described under "—Limitation on Indebtedness"; (2) the holders of such Indebtedness (or their representative or agent), other than with respect to Additional Notes, become party to the Intercreditor Agreement referred to below; and (3) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Collateral Agent (as defined below) an Opinion of Counsel and Officers' Certificate with respect to corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee and/or the Collateral Agent, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph and the terms of the Indenture.

None of the Trustee, the Collateral Agent or any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

Except for certain Permitted Liens and Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

Prior to or concurrently with the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the Trustee and the Collateral Agent will, without requiring any instruction or consent from the Holders, be directed by the Company to enter into an intercreditor agreement (as amended, waived, restated, replaced and/or supplemented from time to time, the "Intercreditor Agreement") (which shall be in a form satisfactory to the Trustee and the Collateral Agent) with the Company, the Subsidiary Guarantor Pledgors and the holders of such Permitted Pari Passu Secured Indebtedness (or their representative). Neither the Trustee nor the Collateral Agent shall have any liability to any Holder for so entering into the Intercreditor Agreement.

The Intercreditor Agreement will provide, among other things, that (1) the secured parties thereto and the holders of any future Permitted Pari Passu Secured Indebtedness (or their representative or agent) will share equal priority and *pro rata* entitlement in and to the Collateral; (2) the Collateral shall only be substituted or released and Liens only be granted on the Collateral to the extent permitted under the Debt Documents (as defined herein); and (3) the conditions under which the Collateral Agent shall enforce the rights of the secured parties thereto shall enforce their rights with respect to the Collateral and the Indebtedness secured thereby will be as described in "—Enforcement of Security" below.

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, any amendments or modifications thereto, and any future intercreditor agreement required under the Indenture.

Enforcement of Security

The first-priority Lien (subject to any Permitted Lien) securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Collateral Agent. Deutsche Bank Trust Company Americas will act as the initial Collateral Agent under the Security Documents entered into on the Original Issue Date. The Collateral Agent, subject to the Intercreditor Agreement (if any), will hold such Liens over the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instructions of the Creditor Representatives (as defined herein) to exercise remedies under the Security Documents. The Collateral Agent has agreed to act as secured party on behalf of the creditors under the Debt Documents under the applicable Security Documents (subject to the terms of the Intercreditor Agreement), to follow the instructions provided to it by one ore more of the Creditor Representatives under the Indenture, the Security Documents and/or the Intercreditor Agreement (if any) and to carry out certain other duties. The Trustee will give instructions to the Collateral Agent by itself or in accordance with instructions it receives from the Holders under the Indenture.

The Intercreditor Agreement will provide that the Collateral Agent will enforce the Collateral in accordance with a written instruction by any Creditor Representative to do so if it does not receive any conflicting instruction, and in the case of conflicting instructions delivered by two or more Creditor Representatives, the Collateral Agent will only enforce the Collateral upon receiving written instructions from the Majority Creditors.

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement (if any), applied as follows:

first, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any expenses (including reasonable expenses of its counsel) incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Intercreditor Agreement (if any) and the Security Documents and preserving the Collateral and all amounts for which the Collateral Agent is entitled to indemnification under the Intercreditor Agreement (if any) and the Security Documents;

second, to the extent not reimbursed under the above paragraph, to the Trustee and other Creditor Representatives, to the extent necessary to reimburse the foregoing persons ratably for any expenses (including reasonable expenses of counsel) incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Debt Documents, the Intercreditor Agreement (if any) and the Security Documents and preserving the Collateral and all amounts for which the foregoing persons are entitled to indemnification under the Debt Documents, the Intercreditor Agreement (if any) and the Security Documents;

third, ratably to each of the Trustee for the benefit of the Holders and, to the extent applicable, to other Creditor Representatives for the benefit of the holders of any Permitted Pari Passu Secured Indebtedness (to the extent not paid pursuant to the paragraphs above), inclusive of any reasonable fees and expenses of the foregoing persons and the principal, interest and premium thereon and for the benefit of the holders each thereof in accordance with the terms of the relevant Debt Documents; and

fourth, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Collateral Agent may refrain from acting in accordance with the instructions of the Secured Parties and may decline to expend its own funds, foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Trustee, the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement (if any), for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind (including reasonable expenses of its counsel) imposed against the Collateral Agent arising out of the Intercreditor Agreement, if any, or the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Collateral Agent.

This section, "—Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "—Permitted Pari Passu Secured Indebtedness" above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under "—Defeasance—Defeasance and Discharge";
- upon certain dispositions of the Collateral in compliance with the covenants described under "—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "—Limitation on Asset Sales" or in accordance with the provision described under "—Consolidation, Merger and Sale of Assets"; and
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the date and/or amount of the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes will then be permitted under the first paragraph of the "Limitation on Indebtedness" covenant described below and the other provisions of the Indenture; and, *provided further* that any Additional Notes that are consolidated and form a single class with the outstanding Notes must be fungible with the outstanding Notes for U.S. federal income tax purposes.

Optional Redemption

On or after 8 April 2014, the Company may on any one or more occasions redeem all or any part of the Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on 8 April of the years indicated below, subject to the rights of holders of Notes on the relevant Record Date to receive interest on the relevant Interest Payment Date:

Period	Redemption Price
2014	104.250%
2015 and thereafter	102.125%

The Company may at its option redeem the Notes, in whole but not in part, at any time prior to 8 April 2014, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the redemption date.

At any time and from time to time prior to 8 April 2014, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 108.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or

(2) if the Notes are not listed on any national securities exchange, on a pro rata basis, by lot or by such other method as the Trustee deems fair and appropriate and in accordance with DTC's procedures.

A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the Offer to Purchase Payment Date (as defined in clause (2) of the definition of "Offer to Purchase").

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors—Risks related to the Offering and the Notes—The Company may not be able to repurchase the Notes upon a Change of Control Triggering Event".

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group may be uncertain and will depend upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal, premium (if any) and interest on the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under "—Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor is organized or resident for tax purposes or any political subdivision or taxing authority thereof or therein (each, as applicable, a "Relevant Taxing Jurisdiction") or any jurisdiction through which payment is made or any political subdivision or taxing authority thereof or therein (each, together with each Relevant Taxing Jurisdiction, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period; or

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor addressed to the Holder to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any withholding or deduction that is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives;

(d) any tax, duty, assessment or other governmental charge to the extent such tax, duty, assessment or other governmental charge results from the presentation of the Note (where presentation is required) for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment elsewhere; or

(e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

In the event any withholding or deduction is required, the Company will (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Company will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes. The Company will furnish to the Holders, within 60 days after the date the payment of any taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Company will be obligated to pay Additional Amounts with respect to such payment, the Company will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to the Holders on such payment date.

In addition, the Company will pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Notes, or any documentation with respect thereto.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional

Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction, excluding any applicable treaty with the Relevant Taxing Jurisdiction, affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective or, in the case of an official position, is announced (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Notwithstanding anything to the contrary herein, the Company or a Surviving Person may not redeem the Notes in the case that Additional Amounts are payable in respect of PRC withholding tax at a rate of 10% or less solely as a result of the Company or a Surviving Person being considered a PRC tax resident under the Enterprise Income Tax Law.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, taking reasonable measures; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from a change or amendment referred to above.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), *provided* that the Company may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would not be less than 2.75 to 1.0 with respect to any Incurrence of Indebtedness on or prior to 8 April 2012 and 3.5 to 1.0 with respect to any Incurrence of Indebtedness thereafter.

Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and any Restricted Subsidiary may Incur, to the extent provided below, each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee;

(b) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (c) below; *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;

(c) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in (x) any Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or (y) any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (c) and (ii) if the Company is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, and if any Subsidiary Guarantor is the obligor on such Indebtedness (and the Company is not the obligee), such Indebtedness must be expressly be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor;

(d) Indebtedness ("Permitted Refinancing Indebtedness") of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness Incurred under the proviso in paragraph (1) above or clauses (a), (b), (k) or (p) of paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance or refund the

Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or any Subsidiary Guarantee shall only be permitted under this clause (d) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, as the case may be, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded, and (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;

(e) Indebtedness Incurred by the Company or any Restricted Subsidiaries pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(f) any Pari Passu Subsidiary Guarantee by any Subsidiary Guarantor;

(g) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently, except in the case of daylight overdrafts, drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that this Indebtedness is extinguished within five Business Days;

(h) Indebtedness of the Company or any Restricted Subsidiary in respect of workers' compensation claims and claims arising under similar legislation, or in connection with self-insurance or similar requirements, in each case in the ordinary course of business;

(i) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, earn-out or other similar obligations, in each case Incurred or assumed in connection with the disposition of any business, assets of the Company or of a Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of any of the Company's or a Restricted Subsidiary's business or assets for the purpose of financing an acquisition; *provided*, *however*, that the maximum assumable liability in respect of all this Indebtedness shall at no time exceed the gross proceeds actually received by the Company and/or the relevant Restricted Subsidiary in connection with the disposition;

(j) obligations with respect to trade letters of credit, performance and surety bonds and completion guarantees provided by the Company or any of its Restricted Subsidiaries securing obligations, entered into in the ordinary course of business, to the extent the letters of credit, bonds or guarantees are not drawn upon or, if and to the extent drawn upon is honored in accordance with its terms and, if to be reimbursed, is reimbursed no later than 30 days following receipt of a demand for reimbursement following payment on the letter of credit, bond or guarantee;

(k) Indebtedness of the Company or any Restricted Subsidiary incurred in the ordinary course of business:

(i) representing Capitalized Lease Obligations; or

(ii) constituting purchase money Indebtedness incurred to finance all or any part of the purchase price, the cost of construction or improvement of equipment, property or assets of the Company to be used in the ordinary course of business by the Company or a Restricted Subsidiary;

provided, *however*, that (A) such purchase money Indebtedness shall not exceed the purchase price or cost of such property or assets so acquired or constructed, (B) such purchase money Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or assets or completion of such construction and (C) on the date of the Incurrence of any Indebtedness permitted by this clause (k) and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (k) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (n) below does not exceed an amount equal to 10% of Total Assets;

(l) Guarantees by any Non-Guarantor Subsidiary of Indebtedness of any other Non-Guarantor Subsidiary, *provided*, *however*, that Indebtedness guaranteed is permitted to be incurred under the Indenture;

(m) Guarantees by the Company and any Subsidiary Guarantor of any Indebtedness of the Company or any Subsidiary Guarantor, *provided*, *however*, that Indebtedness guaranteed is permitted to be incurred under the Indenture;

(n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that on the date of the Incurrence of any Indebtedness permitted by this clause (n) and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (n), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (k) above (together with any refinancings thereof) does not exceed an amount equal to 10% of Total Assets;

(o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement; and

(p) Indebtedness of the Company or any Restricted Subsidiary not otherwise specifically permitted under clauses (a) through (o); *provided* that the aggregate amount outstanding of Indebtedness permitted by this clause (p) (together with any refinancings thereof) at any time does not exceed US$10 million (or the Dollar Equivalent thereof).

(3) For purposes of determining compliance with this "Limitation on Indebtedness" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Permitted Indebtedness, or of Indebtedness described in the proviso in paragraph (1) of this covenant and one or more types of Permitted Indebtedness, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types.

(4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of the Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable solely in shares of the Company's or any Restricted Subsidiary's Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary or any direct or indirect parent of the Company (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary other than the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Subordinated Indebtedness (excluding any intercompany Indebtedness between or among the Company and any Wholly Owned Restricted Subsidiary); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described under "—Limitation on Indebtedness"; or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and the Restricted Subsidiaries after the Original Issue Date, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on

1 January 2011 and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner and which may be internal financial statements) are available and have been provided to the Trustee at the time of such Restricted Payment; plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue Date as a capital contribution to its common equity by, or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion by a Person who is not a Subsidiary of the Company of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company or any Restricted Subsidiary; plus

(iii) the amount by which Indebtedness of the Company is reduced on the Company's balance sheet upon the conversion or exchange subsequent to the Original Issue Date of any Indebtedness of the Company convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the fair value of any other property, distributed by the Company upon such conversion or exchange); *provided*, *however*, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company from the Incurrence of such Indebtedness; plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person; plus

(v) the amount of deposit paid in cash after the Original Issue Date, which was treated as a Restricted Payment when made, in connection with an acquisition of any Person upon such Person becoming a Restricted Subsidiary; plus

(vi) US$10 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company; or

(6) the payment of dividends by the Company with respect to the fiscal year ended 31 December 2010 as declared by our Board of Directors on 7 March 2011.

provided that, in the case of clauses (2), (3) and (4) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein. Each Restricted Payment made pursuant to clause (1) of this paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "—Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or an appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$10 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted

Payment is permitted and setting forth the basis upon which the calculations required by this "—Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture, the Security Documents or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor, or any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Subsidiary Guarantor, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "—Limitation on Indebtedness" and "—Limitation on Asset Sales" covenants; or

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clauses (2)(d) or (k) of the "— Limitation on Indebtedness" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such type of agreement and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "—Limitation on Asset Sales" covenant; and

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided* that the Company complies with the "—Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary that is not a Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor, unless (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full.

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (2) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 5.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$2 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees to, the reimbursement of reasonable and customary expenses of, and indemnity provided on behalf of directors of the Company;

(2) transactions between or among the Company and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under "—Limitation on Restricted Payments" if permitted by that covenant; and

(4) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this Offering Memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant.

Limitation on Liens

The Company will not, and will not permit any Subsidiary Guarantor to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are (or, in respect of any Lien on any Subsidiary Guarantor's property or assets, any Subsidiary Guarantee of such Restricted Subsidiary is) equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company may enter into a Sale and Leaseback Transaction if:

(1) the Company could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under "—Limitation on Indebtedness" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under "—Limitation on Liens," in which case, the corresponding Indebtedness will be deemed Incurred and the corresponding Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant described below under "—Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(3) in the case of an Asset Sale that constitutes an Asset Disposition, the Company could Incur at least US$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described under "—Limitation on Indebtedness" after giving *pro forma* effect to such Asset Disposition; and

(4) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets (as defined below); *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$10 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion of fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

  (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary, as the case may be, from further liability; and

  (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.

(5) Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company or the applicable Restricted Subsidiary, as the case may be, may apply such Net Cash Proceeds to:

  (a) permanently repay Senior Indebtedness of the Company or any Restricted Subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

  (b) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or properties or assets (other than current assets) that will be used in the Permitted Businesses ("Replacement Assets") including by means of acquiring the Capital Stock of a Person which holds such Replacement Assets and that becomes a Restricted Subsidiary following such acquisition;

provided that, pending the application of Net Cash Proceeds in accordance with clauses (a) or (b) of this paragraph, such Net Cash Proceeds may be temporarily invested only in cash or Temporary Cash Investments.

(6) Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clause (5) will constitute "Excess Proceeds." Excess Proceeds of less than US$10 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US$10 million (or the Dollar Equivalent thereof), within five days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

  (a) accumulated Excess Proceeds, multiplied by

(b) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses.

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes issued and sold on the Original Issue Date, in any amount, for any purpose other than (1) as specified under "Use of Proceeds" in this Offering Memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in cash or Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) such Restricted Subsidiary does not own any Disqualified Stock of the Company or any Subsidiary Guarantor or Disqualified or Preferred Stock of a Restricted Subsidiary that is not a Subsidiary Guarantor or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under "—Limitation on Indebtedness" or such Lien would violate the covenant described under "—Limitation on Liens"; (3) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; (4) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary and none of the Company or any Restricted Subsidiary Guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; and (5) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "—Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under "—Limitation on Indebtedness"; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under "—Limitation on Liens"; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary will upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary will become a Subsidiary Guarantor; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC or directly owned by a Restricted Subsidiary organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary will be pledged as required under "—Security."

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or any Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Subsidiary Guarantees on substantially identical terms; *provided* that this requirement does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Maintenance of Insurance

The Company will, and will cause its Restricted Subsidiaries to, maintain insurance with reputable and financially sound carriers against such risks and in such amounts as is customarily carried by similarly situated businesses, including, without limitation, property and casualty insurance.

Suspension of Certain Covenants

If on any date following the date of the Indenture, the Notes have a rating of Investment Grade from two of the three Rating Agencies and no Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from at least two of the three Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "—Certain Covenants—Limitation on Indebtedness";

(2) "—Certain Covenants—Limitation on Restricted Payments";

(3) "—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "—Certain Covenants—Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "—Certain Covenants—Limitation on Business Activities";

(7) "—Certain Covenants—Limitation on Sale and Leaseback Transactions"; and

(8) "—Certain Covenants—Limitation on Asset Sales."

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under "—Certain Covenants—Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by a member firm of an internationally recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and reviewed by a member firm of an internationally recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarters of the Company, copies of the unaudited financial statements (on a consolidated basis and in the English language) of the Company, including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company, together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any Note remains outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Further, the Company and each Subsidiary Guarantor have agreed that, for as long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which the Company or such Subsidiary Guarantor is neither subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company or such Subsidiary Guarantor, as the case may be, shall supply to (i) any Holder or beneficial owner of a Note or (ii) a prospective purchaser of a Note or a beneficial interest therein designated by such Holder or beneficial owner, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the Securities Act upon the request of any Holder or beneficial owner of a Note.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 days;

(3) default in the performance or breach of the provisions of the covenants described under "—Consolidation, Merger and Sale of Assets," "—Certain Covenants—Limitation on Indebtedness," "—Certain Covenants—Limitation on Restricted Payments," "—Certain Covenants—Limitation on Liens," the failure by the Company to make or consummate an Offer to Purchase in the manner described under "—Repurchase of Notes upon a Change of Control

Triggering Event" or "—Certain Covenants—Limitation on Asset Sales" or any failure by the Company to create, or cause its Restricted Subsidiaries to create, a first-priority Lien on the Collateral in accordance with the provisions described under "—Security";

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$10 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) a default in payment of principal of, or interest or premium on, or any other amounts in respect of, such Indebtedness when the same becomes due and payable;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$10 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Restricted Subsidiary, (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;

(9) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or will for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents that adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or that adversely affects the condition or value of the Collateral; or

(11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Collateral Agent ceases to have a first-priority Lien over the Collateral.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or, subject to the Intercreditor Agreement (if any), to enforce the performance of any provision of the Notes, the Indenture or the Security Documents. The Trustee or the Collateral Agent may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon written direction of the Holders of at least 25% in aggregate principal amount of outstanding Notes, instruct the Collateral Agent to foreclose on the Collateral in accordance with the terms of the Security Documents and the Indenture and take such further action on behalf of the Holders with respect to the Collateral as the Trustee deems appropriate. See "—Security".

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or the Collateral Agent or exercising any trust or power conferred on the Trustee. However, the Trustee or the Collateral Agent may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee or the Collateral Agent in personal liability, or that the Trustee or the Collateral Agent determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee or the Collateral Agent will not be required to expend its own funds in following such direction if it does not reasonably believe that reimbursement or reasonable satisfactory indemnification is assured to it.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within (x) 60 days after receipt of the written request pursuant to clause (2) above or (y) 60 days after the receipt of the offer of indemnity pursuant to clause (3) above, whichever occurs later; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under any Subsidiary Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and the Restricted Subsidiaries and the Company's and the Restricted Subsidiaries' performance under the Indenture and that the Company and each Restricted Subsidiary have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "—Provision of Financial Statements and Reports".

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Company and the Restricted Subsidiaries (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the British Virgin Islands, the Cayman Islands or Hong Kong and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, and the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under "—Certain Covenants—Limitation on Indebtedness";

(5) the Company shall deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person, as the case may be, in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Subsidiary Guarantor and its Restricted Subsidiaries (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor), unless each of the following conditions is met:

(1) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction in accordance with the Indenture;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least US$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under "—Certain Covenants—Limitation on Indebtedness";

(5) the Company shall deliver to the Trustee (x) an Officer's Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the "Limitation on Asset Sales" covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under "—The Subsidiary Guarantees—Release of the Subsidiary Guarantees."

The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Company or the Subsidiary Guarantors that may adversely affect Holders.

No Payments for Consents

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or any Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to pay Additional Amounts, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

(1) the Company (a) has deposited with the Trustee, in trust, cash in US dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture and an Opinion of Counsel to the effect that the Holders have a valid, perfected, exclusive Lien over such trust;

(2) the Company has delivered to the Trustee (a) either (i) an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters that is based on a change in applicable U.S. federal income tax law occurring after the Original Issue Date to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Company's exercise of its option under this "Defeasance and Discharge" provision and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not occurred or (ii) a ruling directed to the Company or the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel and (b) an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance

trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(3) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others; and

(4) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of the Restricted Subsidiaries is a party or by which the Company or any of the Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, each of the Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture will further provide that the provisions of the Indenture will no longer be in effect with respect to clauses (3) and (4) under the first and second paragraphs under "—Consolidation, Merger and Sale of Assets" and all the covenants described herein under "—Certain Covenants," other than as described under "—Certain Covenants—Government Approvals and Licenses; Compliance with Law" and "—Certain Covenants—Anti-Layering," clause (3) under "Events of Default" with respect to such clauses (3) and (4) under the first and second paragraphs under "—Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (4) under "—Events of Default" with respect to such other covenants and clauses (5), (6), (7) and (8) under "—Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of cash in US dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2)(b) of the preceding paragraph and the delivery by the Company to the Trustee of an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters to the effect that beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit and defeasance had not occurred.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of cash in US dollars and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Subsidiary Guarantors will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture or any Security Document may be amended, without the consent of any Holder:

(1) to cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes or any Security Document; *provided* that such actions pursuant to this clause (1) do not materially and adversely affect the interests of the Holders;

(2) to comply with the provisions described under "—Consolidation, Merger and Sale of Assets";

(3) to evidence and provide for the acceptance of appointment by a successor Trustee;

(4) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(5) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(6) to effect any changes to the Indenture in a manner necessary to comply with the procedures of the relevant clearing system;

(7) to add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;

(8) to add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor as provided or permitted by the terms of the Indenture;

(9) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Subsidiary Guarantees;

(10) to permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee to enter into the Intercreditor Agreement, or any amendments to the Intercreditor Agreement, the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);

(11) to add additional Collateral to secure the Notes or any Subsidiary Guarantee; or

(12) to make any other change that does not adversely affect the rights of any Holder.

Amendments With Consent of Holders

Amendments of the Indenture, the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company with any provision of the Indenture or the Notes; *provided*, *however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note or any Subsidiary Guarantee;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(8) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;

(9) release any Collateral, except as provided in the Indenture and the Security Documents;

(10) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders;

(11) amend, change or modify any provision of any Security Document or the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;

(12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale;

(13) change the redemption date or the redemption price of the Notes from that stated under "—Optional Redemption" or "—Redemption for Taxation Reasons";

(14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or

(15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any Subsidiary Guarantor in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any Subsidiary Guarantor or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Collateral Agent, Trustee and the Paying Agent

Deutsche Bank Trust Company Americas is to be appointed as Trustee under the Indenture, as registrar and paying agent (the "Paying Agent") with regard to the Notes and as Collateral Agent with regard to the Collateral under the Security Documents. Except during the continuance of a Default, the Trustee (in its capacity as registrar, Paying Agent and Collateral Agent, as the case may be) undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, the Notes, the Security Documents or the Intercreditor Agreement, if any, (as the case may be), and no implied covenant or obligation shall be read into the Indenture, the Notes (as the case may be) against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes or the Intercreditor Agreement, if any, (as the case may be) as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

Pursuant to the terms of the Indenture, the Notes, the Security Documents or the Intercreditor Agreement, if any, (as the case may be), the Company and the Subsidiary Guarantors will reimburse the Trustee and the Collateral Agent for all reasonable expenses.

If the Company maintains a paying agent in a European Union member state, then it will ensure that it maintains a paying agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 (each, a "Directive") or any law implementing or complying with, or introduced in order to conform to, such Directive.

Book-Entry; Delivery and Form

The certificates representing the Notes will be issued in fully registered form without interest coupons. Notes sold in offshore transactions in reliance on Regulation S under the Securities Act will initially be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a "Regulation S Global Note") and will be deposited with Deutsche Bank Trust Company Americas as custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream.

Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a "Restricted Global Note"; and together with the Regulation S Global Notes, the "Global Notes") and will be deposited with Deutsche Bank Trust Company Americas as custodian for, and registered in the name of a nominee of, DTC.

Each Global Note (and any Notes issued for exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under "Notice to Investors."

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Qualified institutional buyers may hold their interests in a Restricted Global Note directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system.

Investors may hold their interests in a Regulation S Global Note directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such system. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture and, if applicable, those of Euroclear and Clearstream.

Payments of the principal of, and interest on, a Global Note will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither the Company, nor any of the Guarantors, the Trustee nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. The Company also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

The Company expects that DTC will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a Global Note is credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC will exchange the applicable Global Note for Certificated Notes, which it will distribute to its participants and which may be legended as set forth under the heading "Notice to Investors."

The Company understands that: DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies and certain other organizations that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, any of the Subsidiary Guarantors, the Trustee or any Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed by the Company within 90 days, the Company will issue Certificated Notes in registered form, which may bear the legend referred to under "Notice to Investors," in exchange for the Global Notes. Holders of an interest in a Global Note may receive Certificated Notes, which may bear the legend referred to under "Notice to Investors," in accordance with the DTC's rules and procedures in addition to those provided for under the Indenture.

The Clearing Systems

General

DTC, Euroclear and Clearstream have advised the Company as follows:

DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom own DTC, and may include the Initial Purchasers. Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. In addition, beneficial owners of Notes in DTC will receive all distributions of principal of and interest on the Notes from the Trustee through such DTC participant.

Euroclear and Clearstream. Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Initial Settlement

Initial settlement for the Notes will be made in immediately available funds. All Notes issued in the form of global notes will be deposited with Deutsche Bank Trust Company Americas, as custodian for DTC. Investors' interests in Notes held in book-entry form by DTC will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Euroclear and Clearstream will initially hold positions on behalf of their participants through DTC.

Investors electing to hold their Notes through DTC (other than through accounts at Euroclear or Clearstream) must follow the settlement practices applicable to United States corporate debt obligations. The securities custody accounts of investors will be credited with their holdings against payment in same day funds on the settlement date.

Investors electing to hold their Notes through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear Holders and of Clearstream Holders on the Business Day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Notes where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC Participants. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in same-day funds using DTC's Same Day Funds Settlement System.

Trading between Euroclear and Clearstream Participants. Secondary market trading between Euroclear participants and Clearstream participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading between DTC Seller and Euroclear or Clearstream Purchaser. When Notes are to be transferred from the account of a DTC participant to the account of a Euroclear participant or a Clearstream participant, the purchaser must send instructions to Euroclear or Clearstream through a participant at least one Business Day prior to settlement. Euroclear or Clearstream, as the case may be, will receive the Notes against payment. Payment will then be made to the DTC participant's account against delivery of the Notes. Payment will include interest accrued on the Notes from and including the last interest payment date to and excluding the settlement date, on the basis of a calendar year consisting of twelve 30-day calendar months. For transactions settling on the 31st day of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made to the DTC participant's account against delivery of the Notes. After settlement has been completed, the Notes will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participant's or Clearstream participant's account. Credit for the Notes will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Notes will accrue from, the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade date fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear participants or Clearstream participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the Notes are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream participants purchasing Notes would incur overdraft charges for one day, assuming they cleared the overdraft when the Notes were credited to their accounts. However, interest on the Notes would accrue from the value date. Therefore, in many cases, the investment income on Notes earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant, a cross-market transaction will settle no differently than a trade between two DTC participants.

Finally, day traders that use Euroclear or Clearstream and that purchase Notes from DTC participants for credit to Euroclear participants or Clearstream participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

(1) borrowing through Euroclear or Clearstream for one day (until the purchase side of the day trade is reflected in their Euroclear account or Clearstream account) in accordance with the clearing system's customary procedures;

(2) borrowing the Notes in the United States from a DTC participant no later than one day prior to settlement, which would give the Notes sufficient time to be reflected in the borrower's Euroclear account or Clearstream account in order to settle the sale side of the trade; or

(3) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Euroclear participants or Clearstream participants.

Trading between Euroclear or Clearstream Seller and DTC Purchaser. Due to the time zone differences in their favor, Euroclear participants or Clearstream participants may employ their customary procedures for transactions in which Notes are to be transferred by the respective clearing system to another DTC participant. The seller must send instructions to Euroclear or Clearstream through a participant at least one Business Day prior to settlement. In these cases, Euroclear or Clearstream will credit the Notes to the DTC participant's account against payment. Payment will include interest accrued on the Notes from and including the last interest payment date to and excluding the settlement date, on the basis of a calendar year consisting of twelve 30-day calendar months. For transactions settling on the 31 st day of the month, payment will include interest accrued to the Notes excluding the first day of the following month. Payment will then be made to the DTC participant's account against delivery of the Notes. The payment will then be reflected in the account of the Euroclear participant or Clearstream participant the following day, and receipt of the cash proceeds in the Euroclear or Clearstream participant's account will be back-valued to the value date (which would be the preceding day when settlement occurs in New York). If the Euroclear participant or Clearstream participant has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over the one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream participant's account would instead be valued as of the actual settlement date.

As in the case with respect to sales by a DTC participant to a Euroclear or Clearstream participant, participants in Euroclear and Clearstream will have their accounts credited the day after their settlement date. See "—Trading between DTC Seller and Euroclear or Clearstream Purchaser" above.

None of the Company, any Subsidiary Guarantor, the Trustee or any Paying and Transfer Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company, any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor or the Trustee, as the case may be, at the corporate trust office of the Trustee and, if intended for any Holder, addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable DTC, Euroclear or Clearstream procedures).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of the relevant clearing system. Any such notice shall be deemed to have been delivered on the day such notice is delivered to the relevant clearing system or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each Subsidiary Guarantor will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, New York 15011, United States, for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, each of the Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The relevant pledge documents pursuant to "—Security" will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child, parent, brother, sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Premium" means, with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the redemption price of such Note at 8 April 2014, plus all required remaining scheduled interest payments due on such Note (but excluding accrued and unpaid interest to the redemption date) through 8 April 2014, computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"Asset Acquisition" means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of s Subsidiary or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided* that "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made by the covenant described under "—Certain Covenants—Limitation on Restricted Payments";

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or the Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the first paragraph of the covenant described under "—Consolidation, Merger and Sale of Assets"; and

(7) a sale, transfer or other disposition to the Company or a Restricted Subsidiary, including, without limitation, an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York or in Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized or required by law or governmental regulation to close.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Change of Control" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the direct or indirect sale of all or substantially all the consolidated assets of the Company to another Person;

(2) the Permitted Holders are the beneficial owners (as such term is used in Rule 13d-3 of the Exchange Act) of less than 35% of the total voting power of the Voting Stock of the Company;

(3) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined above), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election to the Board of Directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Company.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and, if, on the Rating Date, the Notes are rated by three Rating Agencies, a Rating Decline.

"Clearstream" means Clearstream Banking, *société anonyme*, Luxembourg.

"Collateral" means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors.

"Commodity Hedging Agreement" means any commodities swap agreement, commodities cap agreement, commodities floor agreement, commodities futures agreement, commodities option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage commodities prices and commodities price risk.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to 8 April 2014 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to 8 April 2014.

"Comparable Treasury Price" means, with respect to any redemption date (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities"; or (2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

"Consolidated EBITDA" means, with respect to any Person for any period, Consolidated Net Income of such Person for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets); and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income;

all as determined on a consolidated basis for such Person and its Subsidiaries (excluding Unrestricted Subsidiaries) in conformity with GAAP; *provided* that (i) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of the Restricted Subsidiaries; and (ii) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, with respect to any Person for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of such Person or any of its Subsidiaries (other than Unrestricted Subsidiaries) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock).

"Consolidated Interest Expense" means, with respect to any Person for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of such Person and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by such Person and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, such Person or any of its Restricted Subsidiaries and (7) any capitalized interest; *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"Consolidated Net Income" means, with respect to any Person (the "Subject Person") for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

(a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net

Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of the Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of the Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other constitutive document or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or asset of the Company or any Restricted Subsidiary that is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company or a Restricted Subsidiary realized on sales of Capital Stock of the Company or of any Restricted Subsidiary);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Company and the Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of the Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"Creditor Representatives" mean, collectively, the Trustee and the representatives or trustee or agent, if any, of the holders of any Permitted Pari Passu Secured Indebtedness.

"Currency Hedging Agreement" means any currency swap agreement, currency cap agreement, currency floor agreement, currency futures agreement, commodity option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage currencies and currency risk.

"Debt Documents" mean, collectively, the Indenture and the documents evidencing any Permitted Pari Passu Secured Indebtedness.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the date that is 183 days after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "—Limitation on Asset Sales" and "—Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the covenants described under "—Certain Covenants—Limitation on Asset Sales" and "—Repurchase of Notes upon a Change of Control Triggering Event."

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than US dollars, at any time for the determination thereof, the amount of US dollars obtained by converting such foreign currency involved in such computation into US dollars at the noon buying rate for US dollars in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on the date of determination.

"DTC" means The Depository Trust Company and its successors.

"Equity Offering" means (i) any bona fide public or private offering of Capital Stock (other than Disqualified Stock) of the Company other than to Affiliates of the Company after the Original Issue Date or (ii) any bona fide underwritten secondary public offering or secondary private placement of Capital Stock (other than Disqualified Stock) of the Company beneficially owned by the Permitted Holders, after the Original Issue Date, to the extent that the Permitted Holders or a company controlled by such Person concurrently with such public offering or private placement purchases in cash an equal amount of Capital Stock (other than Disqualified Stock) from the Company at the same price as the public offering or private placing price; *provided* that (i) the aggregate gross cash proceeds received by the Company as a result of such offering described in clause (i) or (ii) or a combination thereof (excluding gross cash proceeds received from the Company or any of its Subsidiaries) shall be no less than US$25 million (or the Dollar Equivalent thereof) and (ii) any such offering shall result in such Capital Stock being listed and eligible for dealing on the Stock Exchange of Hong Kong Limited.

"Euroclear" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

"Fitch" mean Fitch Inc., a subsidiary of Fimalac, S.A., and its successors.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) *pro forma* effect shall be given to any Indebtedness Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Hedging Agreement applicable to such Indebtedness if such Interest Rate Hedging Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) *pro forma* effect will be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the four full fiscal quarters immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means International Financial Reporting Standards as adopted by the European Union as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Immaterial Administrative Subsidiary" means any Restricted Subsidiary which (1) does not engage in any business activity except (i) administrative activity related to trading, transportation or logistics of coal, iron or other mined products, (ii) activity related to the establishment or maintenance of that Restricted Subsidiary's corporate existence and (iii) any other activity in connection with or incidental to such activities described above; (2) does not own any assets other than those necessary for carrying out activities referred to in clause (1) above; and (3) does not own any subsidiaries including minority interest in any other Person.

"Incur" means, with respect to any Indebtedness or Disqualified Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Disqualified Stock; *provided* that (1) any Indebtedness and Disqualified Stock of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations;

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and

(10) any Preferred Stock issued by (a) such Person, if such Person is a Restricted Subsidiary or (b) any Restricted Subsidiary of such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

For the avoidance of doubt, a mandatory put option granted to a Person that obligates the Company or any Restricted Subsidiary to repurchase the Capital Stock of any Restricted Subsidiary or any other Person shall be deemed to be "Indebtedness." Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers, performance obligation or similar obligations (and any Guarantee thereof) Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property to be used in a Permitted Business; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to the net amount payable if the Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement giving rise to such Hedging Obligation terminated at that time due to default by such Person.

"Independent Third Party" means any Person that is not an Affiliate of the Company or any of its Subsidiaries.

"Intercreditor Agreement" has the meaning set forth under "—Security."

"Interest Rate Hedging Agreement" means any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate future contract, interest rate option agreement or any other similar agreement or arrangement which may consist of one or more of any of the foregoing agreements, designed to manage interest rates and interest rate risk.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the covenants described under "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries" and "—Certain Covenants—Limitation on Restricted Payments": (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's proportionate interest in the assets (net of the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary calculated as of the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, or a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns, or a rating of "AAA," "AA," "A," "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Moody's" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors.

"Net Cash Proceeds" means:

(1) with respect to any Asset Sale (other than the issuance or sale of Capital Stock), the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

   (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

   (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and the Restricted Subsidiaries, taken as a whole;

   (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and

(d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP and reflected in an Officers' Certificate delivered to the Trustee; and

(2) with respect to any Asset Sale consisting of the issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the

Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and upon receipt of written order of the Company signed by an Officer the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Restricted Subsidiary, one of the directors or officers of such Restricted Subsidiary.

"Officers' Certificate" means a certificate signed by two Officers.

"Opinion of Counsel" means a written opinion from legal counsel selected by the Company, *provided* that such counsel shall be acceptable to the Trustee in its reasonable discretion.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

"Pari Passu Subsidiary Guarantee" means a Guarantee by any Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); *provided* that (1) the Company and such Subsidiary Guarantor were permitted to Incur such Indebtedness by the covenant described under "—Limitation on Indebtedness" and (2) such Guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor.

"Payment Default" means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under "—Repurchase of Notes upon a Change of Control Triggering Event," or an Offer to Purchase in the manner described under "—Limitation on Asset Sales" or (4) any Event of Default specified in clause (4) of the definition of Events of Default.

"Permitted Businesses" means any business which is the same as or ancillary or complementary to any of the businesses of the Company and the Restricted Subsidiaries on the Original Issue Date, including, without limitation, businesses related to coal or iron mining, transportation, logistics or processing.

"Permitted Holders" means any or all of the following:

(1) Mr. Wang Xingchun;

(2) any Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or will be merged or consolidated with or into, or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) cash or Temporary Cash Investments;

(3) payroll, travel and similar advances made in the ordinary course of business to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed (i) solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates or (ii) to reduce or manage interest expenses;

(7) receivables, trade credits or other current assets owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments consisting of consideration received in connection with an Asset Sale under clause 4(b) of, and made in compliance with, the covenant described under "—Certain Covenants—Limitation on Asset Sales";

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens";

(10) loans or advances to or deposits with vendors, contractors, suppliers or distributors, including advance payments for equipment and machinery made to the manufacturer thereof, of the Company or any Restricted Subsidiary, *provided* that such loans, advances or deposits are (i) made in the ordinary course of business and (ii) accounted for as "trade and other receivables" under "current assets" on the Company's consolidated balance sheet;

(11) Investments in existence on the Original Issue Date;

(12) Investments by the Company or any of the Restricted Subsidiaries:

(a) (i) in any Person primarily engaged in the business of mining coal designed to ensure coal supply or (ii) consisting of deposits or advances to vendors or suppliers to secure supply of resources; *provided* that on the date of such Investments (and after giving effect thereto) the aggregate amount of the Investments (valued at the time such Investments were made) made pursuant to this subclause (a) shall not exceed an amount equal to 15% of the Total Assets; or

(b) in any Person that is a joint venture with a railway bureau or a Subsidiary thereof in the PRC primarily for the purpose of securing or enhancing the capacity of the Company or the Restricted Subsidiaries to transport coal or iron ore or the Company's or any Restricted Subsidiary's access to logistical infrastructure or related services; *provided* that on the date of such Investments (and after giving effect thereto) the aggregate amount of the Investments (valued at the time such Investments were made) made pursuant to this subclause (b) shall not exceed an amount equal to the greater of (i) 10% of Total Assets as of the date of such Investments and (ii) US$200 million (or the Dollar Equivalent thereof);

provided further that (x) the amount of any Investment made by the Company or the relevant Restricted Subsidiary under this clause (12) shall be based on the Fair Market Value on the date of the Restricted Payment; (y) no Default shall have occurred and be continuing, as of the date of any Investment made under this clause (12), or would occur as a result of such Investment; and (z) the Company could, as of the date of such Investments, Incur at least US$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described above under the caption "—Limitation on Indebtedness" after giving pro forma effect to such Investment.

(13) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(14) prepayments made in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary in the ordinary course of business; and

(15) Investments made in accordance with the second bullet point in the second paragraph (relating to future acquisition of upstream coal resources and related mining and exploration expenditure) under the "use of proceeds" section in the Company's Hong Kong Stock Exchange initial public offering prospectus dated 27 September 2010 in an aggregate amount not to exceed the amount set forth therein, *provided* that (i) the amount of any Investment made by the Company or the relevant Restricted Subsidiary shall be based on the Fair Market Value on the date of the Restricted Payment; (ii) no Default shall have occurred and be continuing, as of the date of any Investment made under this clause (15), or would occur as a result of such Investment; and (iii) the Company could, as of the date of such Investments, Incur at least US$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described above under the caption "—Limitation on Indebtedness" after giving pro forma effect to such Investment; and

(16) repurchases of the Notes.

"Permitted Liens" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and the Restricted Subsidiaries, taken as a whole;

(5) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person (i) becomes a Restricted Subsidiary or (ii) is merged with or into or consolidated with the Company or any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets of such Person (if such Person becomes a Restricted Subsidiary) or the property or assets acquired by the Company or such Restricted Subsidiary (if such Person is merged with or into or consolidated with the Company or such Restricted Subsidiary); *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(6) Liens in favor of the Company or any Restricted Subsidiary;

(7) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that do not give rise to an Event of Default;

(8) Liens securing reimbursement obligations with respect to letters of credit, performance and surety bonds and completion guarantees that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(9) Liens existing on the Original Issue Date;

(10) Liens securing Indebtedness which is Incurred to refinance Secured Indebtedness which is permitted to be Incurred under clause (2)(d) of the covenant described under "—Certain Covenants—Limitation on Indebtedness," *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(11) Liens securing Hedging Obligations permitted to be Incurred under clause (2)(e) of the covenant described under "—Certain Covenants—Limitation on Indebtedness," *provided* that (i) Indebtedness relating to any such Hedging Obligation is, and is permitted under the covenant described under "—Certain Covenants—Limitation on Liens" to be, secured by a Lien on the same property securing such Hedging Obligation or (ii) such Liens are encumbering customary initial deposits or margin deposits or are otherwise within the general parameters customary in the industry and incurred in the ordinary course of business or (iii) such Liens secure obligations set forth under Interest Rate Hedging Agreements designed to reduce or manage interest expenses;

(12) Liens under the Security Documents;

(13) Liens securing Attributable Indebtedness that is permitted to be Incurred under the Indenture;

(14) any interest or title of a lessor under any Capitalized Lease Obligation permitted to be Incurred under the Indenture; *provided*, *however*, that the Liens do not extend to any property or assets which is not leased property subject to such Capitalized Lease Obligation;

(15) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under "—Security—Permitted Pari Passu Secured Indebtedness";

(16) Liens on deposits securing trade letters of credit (and reimbursement obligations relating thereto) and other trade financings incurred in the ordinary course;

(17) Liens securing Indebtedness permitted under clause (2)(k) of the covenant described under "—Certain Covenants—Limitation on Indebtedness"; *provided* that such Lien (i) covers only the assets acquired or constructed with such Indebtedness and (ii) is created within 180 days of such acquisition or completion of such construction;

(18) Liens securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under the caption entitled "—Limitation on Indebtedness"; and

(19) Liens incurred in the ordinary course of business of the Company or any Restricted Subsidiary with respect to obligations that do not exceed US$10 million (or the Dollar Equivalent thereof) at any one time outstanding;

provided that for purposes of the Collateral, Permitted Liens shall mean Liens described in clauses (1), (12) and (15) above only.

"Permitted Pari Passu Secured Indebtedness" has the meaning set forth under "—Security—Permitted Pari Passu Secured Indebtedness."

"Permitted Subsidiary Indebtedness" means Indebtedness of, and all Preferred Stock issued by, the Restricted Subsidiaries, taken as a whole; *provided* that, on the date of Incurrence of such Indebtedness, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and all Preferred Stock issued by the Restricted Subsidiaries (excluding any Indebtedness of any Restricted Subsidiary permitted under clause (2)(a), (c), (e) or (f) of the covenant described under "—Certain Covenants—Limitation on Indebtedness") does not exceed an amount equal to 15% of Total Assets (or the Dollar Equivalent thereof).

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China.

"PRC CJV" means any future Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on 13 April 1988 (as most recently amended on 13 October 2000) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on 4 September 1995, as such laws and regulations may be amended from time to time.

"PRC CJV Partner" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Rating Agencies" means (1) S&P, (2) Moody's and (3) Fitch; *provided* that if S&P, Moody's, Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, one or more nationally recognized statistical rating organizations (as defined in Rule 436 under the Securities Act), as the case may be, selected by the Company, which shall be substituted for S&P, Moody's, Fitch, two of any of the three or all three of them, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's and "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means (i) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (ii) in connection with actions contemplated under "—Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (i) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (ii) in connection with actions contemplated under "—Consolidation, Merger and Sale of Assets," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(d) in the event the Notes are rated below Investment Grade by all three of the Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the an investment banking firm of recognized international standing, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the such investment banking firm by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third Business Day preceding such redemption date.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"Secured Creditors" mean, collectively, the Collateral Agent and the creditors and the agents under the Debt Documents.

"Secured Indebtedness" means any Indebtedness of the Company or a Restricted Subsidiary secured by a Lien.

"Secured Liabilities" means, collectively, all present and future obligations, contingent or otherwise, of the Company and its Subsidiaries to the creditors, noteholders, lenders and their agents or trustees under the Debt Documents, including any interest, fees and expenses accruing after the initiation of any insolvency proceeding (irrespective of whether such interest, fees and expenses are allowed as a claim in such proceeding).

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Security Documents" means, collectively, the Share Charge and any other agreements or instruments that may evidence or create, or purport to create, any Lien in favor of the Trustee and/or any holder (or its representative or agent) of any Permitted Pari Passu Secured Indebtedness in any or all of the Collateral and the Intercreditor Agreement (if any).

"Senior Indebtedness" of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes or (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

"Share Charge" has the meaning given under "—Security."

"Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the appraised value of such Capital Stock of such Person (determined by an independent appraisal firm, accountancy firm or investment bank of recognized international standing appointed by the Company) at the time the

Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Company or any Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes or to any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

"Subsidiary Guarantee" means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means the initial Subsidiary Guarantors named herein and any other Restricted Subsidiary that Guarantees the obligations of the Company under the Indenture and the Notes; *provided* that "Subsidiary Guarantor" does not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

"Subsidiary Guarantor Pledgor" means the initial Subsidiary Guarantor Pledgors, if any, and any other Subsidiary Guarantor that pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that "Subsidiary Guarantor Pledgor" does not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, Hong Kong, the United Kingdom, the People's Republic of China or any agency of either of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, Hong Kong, the United Kingdom, the People's Republic of China or any agency of either of the foregoing, in each case maturing within one year;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company that is organized under the laws of the United States of America, any state thereof, the United Kingdom or Hong Kong and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act);

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than one year after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws

of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P or Fitch;

(5) securities with maturities of one year or less from the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's or Fitch;

(6) any money market fund that has at least 95.0% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

(7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Agricultural Bank of China, Bank of China, Bank of Communications, China Merchants Bank, Industrial and Commercial Bank of China, China Construction Bank, or Bank of Shanghai, (ii) Raiffeisen Zentralbank Österreich AG (RZB) (PRC and Singapore); Overseas-Chinese Banking Corporation Limited (OCBC), Hong Kong; ING Bank N.V., Singapore; China Everbright Bank; and Shanghai Pudong Development Bank, (iii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong whose long-term debt is rated as high or higher than any of those banks listed in clause (i) of this paragraph or (iv) any other bank organized under the laws of the PRC or Hong Kong; *provided* that, in the case of clause (iv), such deposits do not exceed US$10 million (or the Dollar Equivalent thereof) with any single bank or US$30 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination thereafter.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last date of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 90 Business Days.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture and (2) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the Company thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt;

provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned" means, with respect to any Restricted Subsidiary, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by the Company or one or more Wholly Owned Subsidiaries of the Company; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries.

REGULATIONS

The Group's business operations are subject to national and industrial policies, relevant laws and regulations and extensive governmental supervision as applicable in both the PRC and Mongolia.

Main regulators in the PRC

The Group is principally subject to governmental supervision and regulations by the following PRC governmental authorities:

1 State Council

The State Council is responsible for checking and approving material investment projects in the coal category recognized by Catalog of Government Approved Investment Projects (《政府核准的投資項目》) promulgated in 2004. The State Council also oversees the healthy and stable development of the coal industry and provides relevant guiding opinions and suggestions.

2 The National Development and Reform Commission of the PRC

The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) (the "**NDRC**") formulates industry policies and investment directions for the coal industry, as well as approves and grants permission for prospective coal projects. The NDRC is responsible for the supervision and administration of coal operations in the PRC. Departments designated for the examination of coal operation qualifications by the provincial, autonomous region, municipal government are responsible for the supervision and administration of coal operations within their respective jurisdiction.

3 Ministry of Environmental Protection of the PRC

The Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) is responsible for formulating national environment protection directions, policies and regulations. It is in charge of carrying out environmental impact assessments of material economic and technical policies, development plans and material economic development projects.

4 Ministry of Railways

The Ministry of Railways of the PRC (中華人民共和國鐵道部) (the "**Ministry of Railways**") is in charge of monitoring railway operations in China and of formulating strategic development plans for railway transportation. The Ministry of Railway and the NDRC jointly approve all applications for railway construction plans, including railways used or designated for coal transportation.

5 China National Coal Industry Association

The China National Coal Industry Association (中國煤炭工業協會) is a voluntary body that is mainly responsible for formulating relevant industry standards for the coal industry and liaising with the government and providing guidance to the coal industry.

6 Ministry of Communications

The Ministry of Communications (中華人民共和國交通運輸部) oversees the road transportation industry.

7 Ministry of Land and Resources

The Ministry of Land and Resources (中華人民共和國國土資源部) is responsible for granting land use rights.

8 Ministry of Commerce

The Ministry of Commerce (中華人民共和國商務部), formerly known as the Ministry of Foreign Trade and Economic Co-operation (中華人民共和國對外貿易經濟合作部), is an executive agency of the State Council. It is responsible for formulating development strategies, guidelines and policies of domestic and foreign trade and international economic cooperation, formulating regulations governing domestic and foreign trade, consumer protection, market competition and foreign investments, and negotiating bilateral and multilateral trade agreements.

Major laws and regulations of the PRC

The Group's business operations in the PRC are principally subject to the following laws and regulations of the PRC:

1 The Coal Law of the PRC

In August 1996, the Standing Committee of the National People's Congress promulgated the Coal Law of the PRC (《中華人民共和國煤炭法》) (the "**Coal Law**"), which took effect on 1 December 1996. It is aimed at promoting a rational utilization and protection of coal resources, standardizing coal production and operating activities, and facilitating and protecting the development of the coal industry.

2 The Measures for the Regulation of Coal Operations

The NDRC promulgated the Measures for the Regulation of Coal Operations on 27 December 2004. The Measures aim to strengthen the supervision of coal operations by standardizing and maintaining coal operation procedures.

Pursuant to the Measures for the Regulation of Coal Operations, (i) China implemented an examination and qualification system for coal operations (with respect to activities such as wholesaling and retailing of raw coal and its processed products and processing and distribution of coal for civilian use); (ii) the establishment of a coal operation enterprise is subject to the relevant qualification examination.

3 The Measures for the Administration of Inspection of Imported and Exported Coal

On 30 May 2006, the Measures for the Administration of Inspection of Imported and Exported Coal (《進出口煤炭檢驗管理辦法》) (the "**Coal Import and Export Measures**") were promulgated by the General Administration for Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) and took effect on 1 August 2006. The Coal Import and Export Measures set forth the requirements for the examination and supervision of imported coal.

4 Environmental Protection Law of the People's Republic of China

The PRC Environmental Protection Law (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**") was promulgated by the Standing Committee of the National People's Congress on 26 December 1989 and became effective on the same day. The Environmental Protection Law requires all operations that produce pollutants or other hazards to adopt effective measures to control and properly dispose of waste materials.

5 Regulations on Road Transportation of the PRC

The Regulations on Road Transportation of the PRC (《中華人民共和國道路運輸條例》) (the "**Road Transportation Regulations**") was promulgated by the State Council on 14 April 2004 and took effect on 1 July 2004. The Road Transportation Regulations aim at maintaining an orderly road transportation market, ensuring road safety, protecting the interests of relevant parties and promoting the healthy development of the road transportation industry.

Pursuant to the Road Transportation Regulations, the transportation department of the State Council is responsible for the administration of national road transportation. The transportation department of the State Council is responsible for the administration of road transportation at the national level, and the people's government of county level or above is responsible for the administration of road transportation within its jurisdiction. The actual administration is carried out by the relevant road transportation authorities of county level or above.

6 The Foreign Trade Law of the People's Republic of China

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (the "**Foreign Trade Law**") was adopted at the seventh meeting of the Standing Committee of the Eighth National Peoples Congress on 12 May 1994 and amended at the eighth meeting of the Standing Committee of the Tenth National People's Congress on 6 April 2004. The amended Foreign Trade Law is promulgated with effect on 1 July 2004. The Foreign Trade Law aims at broadening the opening up of the Chinese market, developing foreign trade, maintaining the order of foreign trade, protecting the lawful rights and interests of the foreign trade business operators, and promoting the healthy development of the socialist market economy. It applies to foreign trade and the protection of foreign-trade-related intellectual property.

According to the Foreign Trade Law, (i) the State allows the free import and export of goods and technology, unless otherwise provided for in any law or administrative regulation, (ii) the State will impose a quota or licensing system for goods subject to import or export restrictions, and no import or export of such goods may be made unless permitted by the Ministry of Commerce either independently or in conjunction with other relevant departments of the State Council.

7 The Regulation of the PRC on the Administration of the Import and Export of Goods

The Regulations of the PRC on the Administration of the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) were promulgated on 31 October 2001 and took effect on 1 January 2002. They aim at standardising the administration of the import and export of goods, maintaining the order of import and export of goods and promoting the healthy development of foreign trade. Pursuant to the regulations, the State allows the free importation and exportation of goods and upholds the fair and orderly import and export of goods according to law. Unless it is clearly provided in laws or administrative regulations to forbid or restrict the import or export of goods, no entity or individual may establish or maintain prohibitive or restrictive measures over the import or export of goods.

Coal operations in the PRC

Import of Coal

Pursuant to the Coal Import and Export Measures, imported coal is subject to inspection by the inspection and quarantine authority at the port of unloading. Prior to unloading, receivers of imported coal or their agents are required to report to the relevant inspection and quarantine authority in accordance with the rules of the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢 疫總局). Unloading is supervised by the inspection and quarantine authority, and must take place at facilities that are equipped for such inspection. The inspection and quarantine authority will inspect the imported coal for quality, quantity and weight with respect to health, safety and environmental criteria. Imported coal may not be sold or used unless the results of the inspection are satisfactory.

Sale and Processing of Coal

Pursuant to the Measures for the Regulation of Coal Operations, an enterprise may not engage in the processing and sale of coal that is not self-produced without a Coal Operation Certificate. In order to obtain a Coal Operation Certificate, an enterprise must have:

- an appropriate registered capital for the scale of its operation;
- a fixed place of operation;
- appropriate facilities and coal storage commensurate with the scale of its operation;
- facilities for the inspection of the quantity, weight and quality of coal that meet the relevant standards;
- reasonable compliance with national requirements in relation to the overall business planning and environmental protection for coal operations; and
- other conditions as stipulated under relevant laws and administrative regulations.

The Measures for the Regulation of Coal Operations does not restrict or forbid the grant of coal operation certificates to foreign invested enterprises.

Transportation and logistics in the PRC

Road

Pursuant to the Road Transportation Regulations, an operator of freight transportation must have vehicles suitable for the business and which have passed the relevant examination, have drivers that meet the prescribed age and qualification requirements and have in place a safety system. A freight transport operator must hold a road transportation license (道路運輸經營許可證), and register with the relevant administration for industry and commerce authorities accordingly. A foreign invested enterprise may engage in the operations of road transportation and related business.

Railway

The allocation of coal transportation capacity within the national railway system is made by the Ministry of Railways, and the annual railway transportation allocation is determined by the NDRC or its designated authorities.

Freight tariffs for the transportation of coal are set by railway operators in accordance with the uniform railway freight tariff guideline issued by the NDRC. Railway operators may not charge more than the maximum tariffs approved by the NDRC. Any adjustment to the maximum tariff requires approval from the NDRC and the Ministry of Railways.

Transportation by self-owned rail cars

Pursuant to the Licensing Measures on the Railway Transportation by Self-owned Rail Cars (企業自備貨車經國家鐵路過軌運輸許可辦法), enterprises engaging in railway transportation by self-owned rail cars shall satisfy certain requirements and obtain a Railway Transportation with Self-Owned Rail Cars License (企業自備貨車過軌運輸許可證) from the Ministry of Railways and such license shall be subject to annual inspection by the Ministry of Railways.

Enterprises shall satisfy the following requirements for licensing of railway transportation by self-owned rail cars: a) the rail cars are qualified with regard to safety and technique criterion; b) railway transportation by self-owned rail cars are intended for the enterprises' own business and such enterprises have stable supply of goods; c) such enterprises possess private railways, land and facilities necessary for the parking and operation of the self-owned rail cars.

Once having obtained the license for railway transportation by self-owned rail cars, enterprises need to enter into railway transportation agreements with national railway transportation operators and put into record such agreements at the Ministry of Railways.

Environmental protection regulations of the PRC

Pursuant to the Environmental Protection Law, new construction, expansion or reconstruction projects and other installations that directly or indirectly discharge pollutants into the environment are subject to relevant State regulations governing environmental protection for such projects. Entities undertaking such projects must submit a pollutant discharge declaration statement to the competent authorities for examination detailing the amount, type, location and method of treatment. The authorities will allow the construction project operator to release a certain amount of pollutants into the environment and will issue a pollutant discharge licence for that amount of discharge subject to the payment of discharge fees. The release of pollutants is subject to monitoring by the competent environmental protection authorities. Enterprises and public institutions which directly or indirectly discharge industrial waste water or medical sewage to waters or which are required to obtain the pollutant discharge license before discharging waste water and sewage water must obtain the pollutant discharge license. If an enterprise discharges water pollutants beyond the state or local standards for the discharge of water pollutants or exceed the total allowed volume for the discharge of major water pollutants, the local environmental protection bureau may fine the entity up to five times the discharge fees payable by the offending entity for its allowable discharge, remedy the effects of the pollution within the prescribed time, or order the entity to shut down.

In the environmental impact statement of a construction project, the project operator must make an assessment regarding the pollution and environmental hazards the project is likely to produce, evaluate the project's impact on the ecosystem, and outline measures for the prevention and control of environmental damage. The operator must submit the statement according to the specified procedure to the competent environmental protection authority for examination and approval.

The system for the prevention and control of pollution must be designed, constructed and put into use or operation simultaneously with the main project. A project may only commence operations upon satisfactory inspection and acceptance by the relevant environmental authorities of the pollution prevention and control system.

Violators of the PRC environmental protection law and various environmental regulations may be subject to warnings, payment of damages and fines. Any entity undertaking construction work or carrying out activities before the pollution and waste control and processing facilities are inspected and approved by the environmental protection department may be ordered to suspend production or operations and may be fined. Violators of relevant environment protection laws and regulations may also be exposed to criminal liability if violations result in severe loss of property, personal injuries or death.

In addition to the PRC environmental laws and regulations, China is a signatory to the 1992 United Nations Framework Convention on Climate Change and the 1998 Kyoto Protocol, which propose emission targets to reduce greenhouse gas emissions. The Kyoto Protocol came into force on 16 February 2005. At present, the Kyoto Protocol has not set any specific emission targets for China.

Others

(i) Notice on the Opinions of NDRC and Other Departments on Prevention of Overcapacity and Repetitive Constructions in Certain Industries to Promote Healthy Development (《國務院轉發發展改革委等部門關於抑制部份行業產能過剩和重複建設引導產業健康發展若干意見的通知》) ("**Opinion**").

Under the Opinion issued by the State Council jointly with NDRC, Ministry of Industry and Information Technology (工業和信息化部), Ministry of Supervision (監察部), Ministry of Finance, Ministry of Land and Resources, Ministry of Environmental Protection, PBOC, General Administration of Quality Supervision, Inspection and Quarantine, China Banking Regulatory Commission (銀監會), China Securities Regulatory Commission (證監會), the examination and approval authorities in charge of investment management at all levels are in principle not to approve projects in relation to expansion of capacity in industries which are considered having excess capacity, including the steel and coal chemical industries.

Further, under the Opinion, in order to prevent overcapacity and repetitive construction, financial institutions are prohibited from granting loans to projects that do not comply with key industry adjustment and revitalisation plans and relevant industry polices, and those which are not approved in accordance with required procedures, and each of these projects and their promoters are not allowed to seek financing through initial public offering and other methods.

(ii) Notice on Further Eliminating Backward Production Capacities (《國務院關於進一步加強淘汰落後產能工作的通知》) ("**Notice**")

Under the Notice issued by the State Council, the coal industry and the iron and steel industry have been identified as two of the target industries where backward production capacities are aimed to be eliminated. In respect of the coal industry, 8,000 small coal mines which do not meet safe production conditions, do not conform to the industry policy on waste resources and pollute environment or has a total production capacity of 200 mt or less are required to shut down by the end of 2010. In respect of the iron and steel industry, blast furnaces for iron with a capacity of 400 cubic meters or less and converters and electric furnaces for steel with a capacity of 30 tonnes or less will be eliminated by the end of 2011.

Further, the Notice provides for the strengthening of certain economic and legal control measures including the use of pricing mechanism such as differential prices for electricity and reform of prices for resource products in eliminating backward production capacities.

(iii) Provisional Intervention Measures on Price for Thermal Coal (《國家發展和改革委員會公告2008年第46號-關於對全國發電用煤實施臨　時價格干預措施》) and Notice on Further Improving the Provisional Intervention Measures on Price for Thermal Coal (《國家發展和改革委員會關於進一步完善電煤價格臨時干預措施的通知》) (collectively, "**Measures**").

Under the Provisional Intervention Measures on Price for Thermal Coal and Notice on Further Improving the Provisional Intervention Measures on Price for Thermal Coal by the NDRC, the State will intervene and control the pricing of thermal coal.

The current business of the Group does not fall within the industries of steel and coal chemistry as restricted by the Opinions or the Notice, and the main business of Group does not involve thermal coal. The Group has been advised by its legal adviser on PRC law, King & Wood, that the Opinions, the Notice and the Measures do not apply to its current and normal business operation.

Further, save for one customer of the Group which accounted for 0.3% of the total revenue of the Group in 2009, none of the other customers of the Group is listed in the Lists of Steel Makers or Coking Plant with Backwards Production Capacity for 2010 (《2010年煉鋼淘汰落後產能企業名 單》和《2010年焦炭淘汰落後產能企業名單》) published by the Ministry of Industry and Information Technology. The Directors are therefore of the view that the Opinions and the Notice have no direct material adverse effect on the Group and its major customers.

Mongolian operations

The Group's business operations in Mongolia are principally subject to the following laws and regulations of Mongolia:

1 Minerals Legislation

The minerals sector in Mongolia is governed predominately by three bodies of law: the 2006 Minerals Law of Mongolia ("**Mongolia Minerals Law**"), the Nuclear Energy Law and the Subsoil Law. In the case of coal mining, the Mongolia Minerals Law governs the entire life cycle of a minerals deposit from licensing through exploration, development, mining and mine closure. While a much older law, the Subsoil Law regulates the construction of mining support and process facilities.

Administration of minerals legislation and mining activity in Mongolia is largely the responsibility of the Minerals Resource Authority ("**MRA**") which together with the Petroleum Authority falls under the Ministry of Mineral Resources and Energy ("MMRE").

2 Minerals Licensing

All minerals exploration and exploitation, with the exception of common construction material, must be conducted under a license issued by MRA (licenses to conduct exploration and exploitation of uranium are issued separately by the Nuclear Energy Authority in accordance with the Nuclear Energy Law). Under the Mongolia Minerals Law, two separate licenses are issued by MRA whereby the rights to conduct mineral exploration over a licensed area are separated from the rights to mine/ exploit. In each case, the license-holder must (i) be a registered Mongolian legal entity (generally a private limited liability company), and (ii) pay annual fees with respect to each hectare of licensed land.

An exploration license is generally granted through public tender for an initial period of three years and is renewable for (2) three-year periods for a total period of nine years. At the end of nine years, an exploration license must be converted from an exploration license into a mining license or returned to the State.

An exploration license-holder must (i) satisfy annual expenditure requirements outlined in the Mongolia Minerals Law so as to maintain its right to conduct exploration activities in the licensed area, (ii) prepare annual exploration activities reports, (iii) obtain approval of an environmental protection plan on each three year renewal period, monitor its exploration activities in accordance with its environmental protection plan and report yearly on its compliance with the same, and (iv) pay a yearly reclamation bond to the soum administration.

Under the Mongolia Minerals Law the Mongolian state ("Mongolian State") has a right to participate in a mineral company's exploitation of minerals deposit within its territory. The Mongolian State may participate (as an equity holder) up to 34% or up to 50%, according to the following considerations.

According to the Mongolia Minerals Law, the Mongolian Parliament has the right to designate a minerals deposit as being strategically important. By definition, a minerals deposit is strategically important where its scope may have a potential impact on national security, national or regional economic and social development, or that is producing or has the potential to produce more than five percent (5%) of the total annual gross domestic product. The law is not clear on when the Mongolian Parliament may make such designation other than it can be made on recommendation from the Mongolian government or on its own initiative and must be made where the minerals license has a proven mineral reserves. As such, a designation may be made at the time the minerals reserve is registered, during development of the mining property, or at any future date during mining production. Conversely, the law does not contemplate what would happen in the event a previously designated minerals deposit of strategic importance no longer meets the qualification under the law. If a minerals deposit is designated as strategically important the Mongolian State's equity position can be up to 34% in the case of private party-funded exploration and up to 50% in the case of Mongolian State-funded or partly funded exploration. The precise percentage participation by the Mongolian State will be determined on a case-by-case basis according to recommendations of the Mongolian government and negotiations with the relevant license holder. Additionally, the Mongolia Minerals Law requires that the license-holder of a strategically important minerals deposit list at least 10 % of its shares on the Mongolian Stock Exchange.

In accordance with Parliament Resolution 27 (2007), the Mongolian Parliament defined 15 mineral deposits as being strategically important together with an additional 39 mineral deposits which could potentially be defined as being strategically important. As of 31 December 2010, and to the knowledge of the Company's Mongolian legal advisers, Parliament has not added any additional minerals deposits to the lists of mineral deposits defined as strategic important deposits or potentially strategic important deposits.

3 Environmental Legislation

The environmental legislation of Mongolia is largely comprised of the Law of Mongolia on Environmental Protection ("Environmental Protection Law") and the Law of Mongolia on Environmental Impact Assessments ("EIA Law"). The Environmental Protection Law is the primary law regulating relations between the State, citizens, business entities and organizations in order to guarantee the human right to live in a healthy and safe environment, the ecological balance between social and economic development, the protection of the environment for present and future generations, the proper use of natural resources and the restoration of available resources. Alternatively, the EIA Law regulates relations that arise in connection with the protection of the environment, prevention of ecological misbalance, use of natural resources, assessment of environmental impact and decision-making at the start of projects.

All exploration license-holders must prepare an environmental protection plan, and report yearly to the relevant local government, about its compliance with that plan. Additionally the license-holder is required to pay 50% of its yearly environmental reclamation budget ("Bond") to the soum administration. The Mongolia Minerals Law allows the local government to use the Bond for reclamation in the event the license-holder does not undertake reclamation in the licensed area as required by the law and the license-holder's environmental protection plan.

All mining projects undertaken in Mongolia are required to conduct a detailed environmental impact assessment ("DEIA"), according to the standards set forth in the EIA Law, to assess the impact the project will have on the environment and human health. The DEIA, as approved by the Ministry of Nature and Tourism, must be submitted prior to the granting of a mining license. Additionally, a mining license-holder is required to prepare an environmental protection plan and report yearly on its compliance with the terms of this plan. As with an exploration license, a mining license-holder must pay a 50% Bond to the state central authority. In the event the mining license-holder does not properly conduct reclamation activities, the Mongolia Minerals Law allows the State to undertake those activities from the yearly Bond.

4 Law On Prohibiting The Exploration And Mining of Minerals From Headwaters, and the Protection Area Of Water Reservoir Land And Forested Area ("Water Basin Law")

On 16 July 2009, Mongolia's Parliament passed the Water Basin Law which attempts to prohibit mineral exploration and/or mining in river basins and forested areas. The Government has listed a number of minerals licenses that are subject to revocation because of the overlap between "water basins" and/or "forested areas". According to the terms of the law, existing exploration and mining licenses in those areas will be revoked and the license-holder will be compensated.

5 Taxes and Royalties

Tax Laws

Mongolia does not have a comprehensive tax code, but rather relies on a group of individual laws that regulate the taxation of corporate income, goods and services. With regard to minerals resource companies, the Corporate Income Tax Law, and the Value Added Tax Law are the most relevant laws.

Corporate Income Tax Law

The corporate income tax rates applicable to a Mongolian company are 10% on the first three billion MNT and 25% on amounts in excess of this amount. In September 2009, the Parliament passed an amendment to the Corporate Income Tax Law that allows for loss-carry forward periods of four to eight years which is double the previous provision. The law allows for a range of deductible expenses in calculating taxable income. Additionally, 10% of invested capital in certain priority sectors can be applied as a credit against other taxes payable.

Value Added Tax

Mongolia imposes a value added tax at a rate of 10% on (with some very limited exceptions) imported and exported goods (including some minerals products), services rendered to residents of Mongolia from outside Mongolia, and goods sold and services rendered within Mongolia. As a general rule most exports are "zero-rated" (i.e. the VAT rate for exports is 0% and the exporter can credit value added tax paid to produce the exports against other taxes payable). The list of exempted imported goods generally changes on an annual basis as approved by the Government, the most recent being 10 November 2010.

Minerals Royalties

The Mongolia Minerals Law provides for royalty at the rate of 5% on the sales value of minerals with the exception of domestically sold coal and common construction minerals that are sold, shipped for sale, or otherwise used. The royalty rate for domestically sold coal and construction minerals is 2.5%. In addition to the base rate of 5% an additional royalty of between 0-5% (depending on the type of coal being sold and the market price) is payable on exported coal.

6 Foreign Investment Law

Foreign investors in Mongolia are protected by many of its laws most notably the Constitution of Mongolia and the Foreign Investment Law. The Foreign Investment Law statutorily provides that foreign investors (those natural or legal persons which have invested at least 25% in a Mongolian registered company) are entitled, amongst other things, to wholly or partially own a Mongolian company and to buy and sell shares of Mongolian entities in any sector or areas of production; and a foreign investor also has the right to participate in concession and product sharing agreements and exploitation of natural resources. Additionally the law provides that foreign investors shall not receive less favorable conditions with regard to its investment than those accorded to domestic investors and that:

(a) a foreign investment within the territory of Mongolia shall enjoy the legal protection guaranteed by the Constitution, this law and other legislation, consistent with those laws and international treaties to which Mongolia is a party;

(b) a foreign investment within the territory of Mongolia shall not be unlawfully expropriated;

(c) investments of foreign investors may be expropriated only for public purposes or interests and only in accordance with due process of law on a non-discriminatory basis and on payment of full compensation where compensation shall be determined by the value of the expropriated assets at the time of expropriation or public notice of expropriation. Such compensation shall be paid without delay (unless specified otherwise in an international treaty to which Mongolia is a party; and

(d) losses suffered by foreign investors due to a state of emergency or war in Mongolia shall be treated equally with losses suffered by Mongolian investors.

7 Investment in Road Infrastructure

Mongolia's 2007 Road Master Plan ("**Plan**") aspires to construct several sealed roads over the next five years in the South Gobi region. While this plan does not have the force of law, it does indicate the Government of Mongolia's intention to development the infrastructure in the South Gobi region assuming the necessary funds are available. Where the State cannot finance road construction, the Plan suggests that mining companies will be encouraged to finance and build the roads it requires for its operations. Upon completion of such construction, the Plan contemplates that the mining companies will turn the roads over to the State's control and the State will operate them as "toll roads" so as to recoup certain costs.

The Plan is in keeping with the Land Law and the Law on Auto Roads which allows road infrastructure to be built and used by private companies; however, prohibits the land under the road-base being transferred into private party ownership. On 28 January 2010 (effective date 1 March 2010), Parliament passed the Concessions Law of Mongolia which allows private companies to build, renovate, possess, operate, transfer, lease and in some cases own ("**Regime**") certain public projects (e.g., energy plants, roads, railways, housing, etc.) ("**Projects**"). All Projects, with rare exception, are let through a tender process from a list of public projects that have been approved by the Government of Mongolia. Much like the Law on Auto Roads, the Concession Law of Mongolia prohibits any land associated with a Project from being owned (in the sense of fee simple absolute ownership) by the concessionaire. Rather according to the Land Law, the concessionaire is entitled to receive a possession or use right which is contractually guaranteed by the Government of Mongolia. Such possession and use rights range in duration from 1 to 60 years.

In the event the Company wishes to build a road within the territory of Mongolia, it would be required to submit a bid under the State's tender rules (tender rules allow both domestic and foreign companies to participate in Project tenders). If it were successful in such a bid, the Concession Law of Mongolia requires that the company (as the successful bidder) negotiate a concession agreement with the Government of Mongolia which defines the particular Regime for the road project. In no event would the company obtain fee simple absolute title over the land under the road base. Rather the company would be entitled to either a possession or use right (depending on its level of foreign investment) in accordance with the terms of the Land Law.

8 Transportation and Export/Import Laws

With the exception of: (1) the Mongolian-China Border Railway Agreement of 1954; (2) the Minutes of First Consultation Meeting of the Mongolian–Chinese Railway Joint Working Committee held on 15-16 January 2009, which regulates rail transportation between the countries; (3) the Inter-Governmental Agreement between People's Republic of China and Mongolia regarding Auto Transportation signed on 24 June 1991 ("Inter-Governmental Agreement"); and (4) the Implementing Regulation of the foregoing Inter-Governmental Agreement signed on 7 February 1996, there are no other transportation treaties which regulate transportation between People's Republic of China ("PRC") and Mongolia. As such, the domestic law of Mongolia will apply to: (1) the movement of goods within the territory of Mongolia, (2) customs controls and clearing and (3) taxation and duties. The relevant laws are Mongolia's Civil Code, Value-Added Tax Law, Corporate Income Tax Law, Customs Law the Law on Auto Transportation, the Law on Rail Transportation and associated regulations.

The transport of coal by auto roads within territory of Mongolia is regulated by the Auto Transportation Law, Regulation No. 201 on the Transportation of Passengers and Goods by Auto Vehicle and the Licensing Law. Cross border auto transportation between the PRC and Mongolia is regulated by the Inter-Governmental Agreement. In particular, the laws and regulation of Mongolia governing the movement of coal requires that freight or haul trucks must obtain special permission (license) to transport goods (including coal) on the roads of Mongolia.

The transport of coal by railway within territory of Mongolia is regulated by the Law on Railway Transportation, Regulation No. 88 on the Transportation of Passengers and Goods by Railway and the Licensing Law. Cross border railway transportation between the PRC and Mongolia is regulated by the Mongolian-China Border Railway Agreement of 1954.

All goods transported from the territory of Mongolia into China must pass through a border control point and must submit to certain customs clearing procedures contemplated in the Customs Law and Parliament Resolution #5 dated 8 January 1998. —In particular, coal products must be sampled by customs officials and freight haulers must demonstrate that the appropriate royalties have been paid by the coal producer.

DIRECTORS AND MANAGEMENT

General

The following table sets forth information regarding our current Directors and senior officers:

Names	Age	Position
Executive Directors		
Wang Xingchun (王興春)	47	Chairman of our Board and Chief Executive Officer
Zhu Hongchan (朱紅嬋)	36	Executive Director and Vice President
Yasuhisa Yamamoto	51	Executive Director
Apolonius Struijk	55	Executive Director
Cui Yong (崔勇)	36	Executive Director
Non-executive Directors		
Cui Guiyong (崔桂勇)	48	Non-executive Director
Liu Qingchun (劉青春)	45	Non-executive Director
Lu Chuan (呂川)	41	Non-executive Director
Independent Non-executive Directors		
James Downing	56	Independent Non-executive Director
Ng Yuk Keung (吳育強)	46	Independent Non-executive Director
Wang Wenfu (王文福)	44	Independent Non-executive Director
George Jay Hambro	36	Independent Non-executive Director
Senior Management		
Zhu Qingrang (朱慶讓)	62	Executive Vice President
Jiang Tao (江濤)	46	Executive Vice President
Ma Li (馬麗)	40	Vice President
Di Jingmin (邸京敏)	39	Vice President
Xu Changmao (徐昌茂)	44	Vice President
Xie Wenzhao (謝文釗)	37	Chief Financial Officer
Wang Yaxu (王雅旭)	39	Chief Accountant
Cao Xinyi (曹欣怡)	28	Secretary to the Board

Board of Directors

Our Board consists of twelve Directors, comprising five executive Directors, three non-executive Directors and four independent non-executive Directors. The powers and duties of our Board include convening shareholders' meetings and reporting the Board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our 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 our Memorandum and Articles of Association. All our Directors have entered into service contracts with our Company.

Save as disclosed in this Offering Memorandum, none of our Directors has any other directorships in listed companies during the three years immediately prior to the date of this Offering Memorandum.

Executive Directors

Wang Xingchun (王興春), aged 47, is the founder of our Company and the Chairman of our Board and Chief Executive Officer of our Company. He was appointed as our Director on 17 September 2007. He is also a director of a number of our subsidiaries. He is responsible for formulating the overall business development strategies for our Company and communication with key suppliers and customers of our Group. Mr. Wang has over 20 years of international commodities business and management experience, as well as 15 years of experience in the development of cross-border logistics infrastructure and its operations. In 1990, Mr. Wang worked as an agent at Hong Kong Management Service (Chemicals) Limited, a company incorporated in Hong Kong which belonged to the Landmark Chemicals Group of companies engaging in international chemical product trading. In 1995, Mr. Wang, through his wholly-owned entity, Goldliq, invested in and acted as the Vice Chairman of Manzhouli Haitie Yonghui, a company which owns and operates the transshipping facilities at the Manzhouli Railway Port neighboring 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 (朱紅蟬), aged 36, 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 51, is an executive Director of our Company. He joined Winsway Group in 2007 and was then responsible for its petroleum operations. He was appointed as a Director on 18 June 2010. Mr. Yamamoto is now responsible for the procurement of seaborne coal. Prior to joining our Group, Mr. Yamamoto worked at the Tokyo, Beijing, London and Hong Kong offices of Marubeni Corporation, a company engaged in the trading of textiles, pulp and paper, chemicals, energy, metals, mineral resources and transportation machinery in the global market, since 1982. Mr. Yamamoto has extensive experience in trading, corporate governance, subsidiaries' affiliations and risk management. Mr. Yamamoto obtained a Bachelor of Laws degree from Kobe University in 1982.

Apolonius Struijk (also known as Paul Struijk), aged 55, is an executive Director of our Company. He joined our Group on a full-time basis in 2009 and was appointed as a Director on 18 June 2010. Prior to 2009, Mr. Struijk acted as an adviser to Mr. Wang where he was mainly involved in advising on the business development strategies and assisting in formulating business plans in relation to the overseas petrochemical business carried out by our parent group since its establishment in 1995. Mr. Struijk is responsible for the procurement of seaborne coal. He is also responsible for the mergers and acquisitions activities of our Group. Mr. Struijk is also a director of our subsidiary, Winsway Australia and a Managing Director of our subsidiary, Winsway Singapore. Mr. Struijk is also a director of Peabody-Winsway JV. Mr. Struijk began his career in international trade in 1974 after his secondary education and has previously worked in Africa, Germany and Brazil from 1974 to 1979 and worked for the US-based International Chemical Cooperation from 1979 to 1984. From 1984 to 1994, Mr. Struijk was employed by SA Belgium Marketing Services NV, a Belgium company which belonged to the Landmark Chemicals Group of companies engaging in international chemical product trading, where he was responsible for building the Eastern European business of the company. From 1994 to

2000, Mr. Struijk engaged in petroleum and chemical trading as an entrepreneur. Since 2000, Mr. Struijk has acted as an adviser to various international companies.

Cui Yong (崔勇), aged 36, 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

Cui Guiyong (崔桂勇), aged 48, was appointed as a non-executive Director on 18 June 2010. He is a partner of HOPU Investment Management Co. Ltd., a company indirectly interested in Winstar, one of our Pre-IPO Investors, which invested in our Company in April 2010 by way of subscription for the Preference Shares in an amount of US$60,000,000. Prior to joining HOPU Investment Management Co. Ltd. in May 2008, he was an investment banker for 14 years, during when he acted as a Managing Director at Morgan Stanley Asia Limited from 2007, Managing Director and Head of Energy and Resources Group of HSBC Investment Banking Asia Pacific from 2004 to 2007, Managing Director and Head of Investment Banking Division of ICEA Capital from 2002 to 2003 and assumed various positions in N M Rothschild & Sons Group from 1994 in London, Sydney and Hong Kong, including the position of Managing Director of Investment Banking and the Chief Representative of China in N M Rothschild & Sons' Beijing Office before he left the company in 2002. He is also an alternate director of China Mengniu Diary Company Limited, a company listed on the Hong Kong Stock Exchange. Mr. Cui obtained his DPhil degree from the University of Oxford in 1995, and Bachelor of Engineering and Master of Engineering degrees from the University of Science and Technology Beijing in 1982 and 1987, respectively.

Liu Qingchun (劉青春), aged 45, 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 Pre-IPO Investors. He was previously the General Manager of the Coke Division and a supervisor of Minmetals Development Co., Ltd., a company listed on the Shanghai Stock Exchange. Mr. Liu obtained a Master of Business Administration degree from Saint Mary's University in Canada in 1999 and a bachelor's degree in International Economics Law from Shanghai Institute of Foreign Trade in 1989.

Lu Chuan (呂川), aged 41, 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 Pre-IPO Investors 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 56, 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 specializing 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 46, 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 a privately-owned pharmaceutical company. 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. 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	**Names 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	Xinjiang Xinxin Mining Industry Co., Ltd.	3833
Independent non-executive director	Beijing Capital Land Limited	2868
Independent non-executive director	Zhongsheng Group Holdings Limited	881

Wang Wenfu (王文福), aged 44, 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 36, 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 62, 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, Erlianhot 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 (呼和浩特鐵路局). 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.

Jiang Tao (江濤), aged 46, is an Executive Vice President who is responsible for the acquisition and management of upstream mining assets of our Group. Mr. Jiang joined our Company in January 2011. Mr. Tao is also a director of Peabody-Winsway JV. Mr. Jiang has intensive experiences in finance and investment in Greater China market. During his career, he has been working with a leading buy-out firm and a number of well-known financial institutions in the region, including Credit Suisse (Hong Kong) Limited, BNP Paribas Hong Kong, and Deutsche Bank Beijing Branch, in natural resources, real estate, renewable energy areas. 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.)

Ma Li (馬麗), aged 40, is the Vice President who is responsible for the treasury functions and internal administration of our Group. Ms. Ma joined Winsway Group in 1998, where she was mainly responsible for internal administration and treasury functions. She then became an employee of our Group in 2007 upon our establishment. She previously worked at the rare earth research centre of Inner Mongolia Baotou Steel Rare-Earth (Group) Hi-Tech Co., Ltd as an assistant engineer from 1991 to 1995. She graduated from Baotou College of Iron & Steel with a bachelor's degree in Metallurgy in 1991. Ms. Ma also obtained a Master of Engineering degree in 1998 and a Master of Business Administration degree in 2006 from the University of Science and Technology Beijing.

Di Jingmin (邸京敏), aged 39, 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 44, 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.

Xie Wenzhao (謝文釗), aged 37, 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, Beijing Office, as an associate in the Media Function Group, and subsequently worked for Bear Stearns & Co. Inc. as an analyst from 2001 to 2002, Deutsche Bank AG as an associate from 2006 to 2007, Lehman Brothers Asia Limited as a Portfolio Management Associate in the Principal Investing Division from 2007 to 2008, and Nomura International (Hong Kong) Limited as a Vice President from 2008 to 2009. 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 39, 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.

Company secretary

Cao Xinyi (曹欣宜), aged 28, 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.

Audit committee

We have established an audit committee pursuant to a resolution of our Directors passed on 7 September 2010. The audit committee consists of four independent non-executive Directors, namely Ng Yuk Keung, an independent non-executive Director with the appropriate professional qualifications who shall serve as chairman of the committee, George Jay Hambro, Wang Wenfu and James Downing and one non-executive Director, namely Cui Guiyong. The primary duties of the audit committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board.

Remuneration committee

We have established a remuneration committee pursuant to a resolution of our Directors passed on 7 September 2010. The remuneration committee consists of one executive Director, namely Apolonius Struijk, who is the chairman of the remuneration committee, and two independent non-executive Directors, namely James Downing and Wang Wenfu. The primary duties of the remuneration committee are to review and formulate policies of remuneration structure for our Directors and senior management and make recommendations on the remuneration package of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

Nomination and corporate governance committee

We have established a nomination and corporate governance committee pursuant to a resolution of our Directors passed on 7 September 2010. The nomination and corporate governance committee consists of one executive Director, namely Yasuhisa Yamamoto, who is the Chairman of the nomination and corporate governance committee, and two non-executive Directors, namely James Downing and Ng Yuk Keung. 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.

Health and safety and environmental committee

We have established a health and safety and environmental committee pursuant to a resolution of our Directors passed on 7 September 2010 with written terms of reference. The health and safety and environmental committee consists of one independent non-executive Director, namely George Jay Hambro, who is the chairman of the health and safety committee, and two executive Directors, namely Yasuhisa Yamamoto and Apolonius Struijk. The primary function of the health and safety and environmental committee is to advise and assist the Board with respect to health, safety and environmental matters.

Remuneration of Directors and senior management

Our Directors and senior management receive compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse our Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to us or discharging their duties in relation to our operations. When reviewing and determining the specific remuneration packages for our executive Directors and senior management, our remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of our Directors, employment elsewhere in our Group and desirability of performance-based remuneration.

The aggregate amount of remuneration (including fees, salaries, discretionary bonus, retirement benefit contribution (including pension), housing and other allowances, and other benefits in kind) paid to our Directors for the years ended 31 December 2008, 2009 and 2010 was HKD2.1 million, HKD3.1 million and HKD58.8 million, respectively.

The aggregate amount of fees, salaries, discretionary bonus, defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind paid to our five highest paid individuals of our Company, including Directors, for the years ended 31 December 2008, 2009 and 2010 was HKD2.5 million, HKD4.0 million and HKD56.2 million, respectively.

Employees

As at 31 December 2010, our Group had 1,243 full-time employees. Set out below is a breakdown of the number of our full-time employees by function:

Departments	Number of Employees
Management, administration and finance	224
Production, maintenance and production support	786
Technical support	60
Sales and marketing	40
Others (including projects)	133
Total(1)	1,243

Notes:
(1) Excludes staff under a labor despatch arrangement totalling 536 staff.

Under a labor despatch arrangement, relevant personnel are legally employed by a labor despatch agent and are despatched to our Group where services are performed pursuant to a labor despatch contract, which is a contract between our Group and the labor despatch agent. The labor despatch arrangements are mainly entered into in relation to positions which are of a temporary and labor-intensive nature and require a lower level of technical expertise and familiarity with our Group's business, such as loaders at storage yard, handymen and cleaners etc. We have accounted for such costs and services provided by the relevant labor despatch staff as part of our staff costs and such costs are payable directly to our labor despatch agent. Our Group believes that by arranging our staffing through such labor despatch arrangement, we can be more flexible in our staff arrangement and more efficient in our human resources management. Although it is legal obligation of the labor despatch agent to pay the necessary statutory social insurance for the staff despatched to us, we have also purchased additional personal accident insurance for these staff. There has been no claim initiated against us by any staff despatched to us under labor despatch arrangement in the past.

PRINCIPAL SHAREHOLDERS

So far as our Directors are aware, the following persons have interests or short positions in our Shares or underlying Shares, or who are, directly or indirectly, interested in 5% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of any other member of our Group as at the date of this Offering.

Long positions in the Shares and underlying Shares as at 31 December 2010:

Name of shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholdings in our Company
Winsway Resources Holdings[1]	Beneficial owner	1,617,147,688	42.69%
HOPU Investment Management	Beneficial owner	351,654,602	9.28%
Winsway International Petroleum & Chemicals[1]	Beneficial owner	204,244,421	5.39%
Other[2]	Beneficial owner	1,246,166,893	32.90%
Total		3,788,261,356	100.00%

Short positions in the Shares and underlying Shares:

Nil

Notes:

(1) Our Chairman Mr. Wang indirectly holds 100% of the entire issued share capital of each of Winsway International Petroleum & Chemicals Limited and Winsway Resources Holdings Limited and therefore indirectly owns 48.54% of our issued Shares.

(2) Including public shareholders and Pre-IPO Individual Investors

Authorized and issued shares

The following is a description of the authorized and issued Shares as at 31 December 2010:

Authorized shares:	
Shares with no par value	4,000,000,000
Fully paid Shares in issue as at 31 December 2010	3,788,261,000

Relationship with controlling shareholders

Winsway Resources Holdings and Winsway International Petroleum & Chemicals own approximately 42.69% and 5.39% respectively of our outstanding issued Shares. Further, our Chairman, Mr. Wang, and Winsway Group Holdings, through their respective controlling interest in Winsway Resources Holdings, Winsway Petroleum Holdings and Winsway International Petroleum & Chemicals, controls, in aggregate, more than 40% of our issued Shares. None of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings, Winsway Group Holdings and Mr. Wang carries on or is otherwise interested in any business which competes, or is likely to compete, either directly or indirectly, with our business.

Delineation of business

Winsway Resources Holdings is an investment holding company whose principal asset is its shareholding in our Company.

Winsway International Petroleum & Chemicals is a company whose principal asset is its shareholding in, amongst others, our Company.

Winsway Petroleum Holdings is a company whose principal assets are its direct and indirect shareholdings in Winsway International Petroleum & Chemicals and our Company, respectively.

Winsway Group Holdings is an investment holding company whose principal assets are its shareholding in Winsway Petroleum Holdings and Winsway Resources Holdings.

Winsway International Petroleum & Chemicals and Winsway Petroleum Holdings are principally engaged in the trading of petrochemical products, such as naphtha, fuel oil, heavy aromatics, pure terephthalic acid, paraxylene, xylol and ethanediol, whose clients are international petrochemical distributors. By contrast, we are principally engaged in the supply of imported coking coal to customers which are mainly the leading steel makers and coke producers in the PRC. Our businesses, products and our clients are completely different from those of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings. There is therefore a clear delineation and no competition between our business and those of Winsway Resources Holdings, Winsway International Petroleum & Chemicals, Winsway Petroleum Holdings and Winsway Group Holdings.

Deed of non-competition

Each of the Directors confirms that he is not interested in any business which competes or is likely to compete, either directly or indirectly, with our Group.

For the purpose of the IPO, Mr. Wang and the other Controlling Shareholders entered into a Non-competition Deed pursuant to which each of them irrevocably and unconditionally, jointly and severally undertook with our Company (for itself and as trustee for the benefit of members of our Group) that he/it would not, and would use his/its best endeavours to procure that his/its respective associates shall not engage, invest, participate or be interested (economically or otherwise) in any business undertaking involving supply of coal into the PRC ("**Restricted Business**") except (a) through his/its interests in our Group from time to time; or (b) being interested in any Restricted Business pursuant to any Business Opportunity (as defined below) in which we have decided not to make an investment as approved in writing by all the independent non-executive Directors.

In addition, each of Mr. Wang and the other Controlling Shareholders (collectively, "**Covenantors**") has undertook with our Company (for itself and for the benefit of members of our Group) that if any new business opportunity relating to any Restricted Business (excluding through any passive investment) ("**Business Opportunity**") is made available to any of the Covenantors or their respective associates (other than our Company), it or he will refer or procure the relevant associate to refer such Business Opportunity to our Group with such information reasonably necessary for our Company to consider whether to pursue the Business Opportunity. For the purpose of this paragraph, "passive investment" means an investment or interest in units or shares of any entity engaging in the Restricted Business, where such investment or interest does not exceed 10% of the outstanding voting shares of such entity.

Any decision of our Company in respect of any Business Opportunity will have to be approved by all the independent non-executive Directors taking into consideration our Group's financial condition, the growth prospects and earning potential of the Business Opportunity and any advice of an independent financial adviser on the terms of the Business Opportunity.

Each of the Covenantors has confirmed that neither it or he nor any of its or his associates is interested, involved or engaging, whether directly or indirectly, in any Restricted Business.

Each of the Covenantors has further undertaken to us that it or he will (i) provide to us all information necessary for the enforcement of the undertakings contained in the Non-competition Deed; (ii) confirm to us on an annual basis as to whether it or he has complied with such undertakings; and (iii) not be interested in or pursue any Restricted Business or Business Opportunity unless we have decided, with the approval of all the independent non-executive Directors, not to pursue any such Restricted Business or Business Opportunity.

The deed of non-competition will cease to have any effect on the earliest date on which:

(a) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or their associates in our Company falls below 30% of the issued Shares of our Company;

(b) in relation to a particular Covenantor individually, he/it and all of his/its associates cease to hold or otherwise be interested in any of the issued Shares of our Company; or

(c) the Shares cease to be listed on the Hong Kong Stock Exchange.

We shall adopt the following measures in relation to the compliance with the Non-competition Deed in order to protect the interests of our Shareholders:

(a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the terms of the Non-competition Deed;

(b) we shall disclose any decisions reviewed by the independent non-executive Directors relating to compliance of the Non-competition Deed in our annual reports;

(c) we shall disclose in the corporate governance report in our annual report a declaration on compliance with the terms of the Non-competition Deed by the Covenantors;

(d) in the event that any of our Directors and/or their respective associates has a material interest in any matter to be deliberated by our Board in relation to the compliance with the Non-competition Deed, the relevant Director may not vote on the relevant resolutions of the Board and shall not be counted towards the quorum for voting pursuant to applicable provisions in our Articles of Association; and

(e) we shall make an announcement once the Company decides, with the approval of all the independent non-executive Directors, not to pursue any Business Opportunity.

Deed of indemnity

For the purpose of the IPO, Mr. Wang (the "**Indemnifier**") entered into a deed of indemnity in favor of our Company to provide the following indemnities in favor of our Company (for itself and as trustee for its subsidiaries and certain associated companies).

Under the deed of indemnity, the Indemnifier agreed and undertook with our Company that he will indemnify our Company against any loss arising from any fines, penalties or other administrative liabilities which may be imposed or levied by the PRC government authorities on our Group resulting from its failure to comply with the applicable law and regulations of the PRC in relation to the land planning, construction, completion of construction and title of certain real properties.

The Indemnifier will not be liable in respect of any loss mentioned above: (i) to the extent that specific provision or reserve has been made in our audited consolidated financial statements set forth in Appendix 1 to this Offering Memorandum; (ii) to the extent such loss would not have arisen but for any act or omission of, or delay by, our Company or any member of our Group after the IPO; and (iii) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the IPO.

In addition, the Indemnifier agrees and undertakes with our Company that he will indemnify our Company against any loss or liability or diminution in value of asset suffered by our Company or any member of our Group as a result of or in connection with any tax liability in any jurisdiction arising: (i) in respect of or in consequence of any act, omission or event which occurred or is deemed to occur on or before the IPO; (ii) from any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the IPO; or (iii) as a result of our Company or any member of our Group receiving or being entitled to receive any payment under the deed of indemnity, whether alone or in conjunction with other circumstances and whether or not such taxation is chargeable against or attributable to any other person.

The Indemnifier will not be liable in respect of any taxation liability: (i) to the extent that specific provision or reserve has been made for such taxation liability in our audited consolidated financial statements set forth in Appendix 1 to this Offering Memorandum; (ii) to the extent such taxation liability would not have arisen but for any act or omission by our Company after the IPO; or (iii) to the extent such taxation liability arises or is incurred only as a result of a retrospective change in law or regulations, a retrospective increase in tax rates or a retrospective change in administrative interpretation of law or regulations, coming into force after the IPO.

Connected transactions

We have entered into transactions in the ordinary course of our business with certain of our connected persons, which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of the HK Listing Rules.

Trademark (Onshore) Licence Agreement

Each of our Company and our PRC-incorporated subsidiaries has entered into a trademark licence agreement (each, a "**Trademark (Onshore) Licence Agreement**") with Beijing Winsway Investment dated 1 June 2010 and 25 January 2011. Beijing Winsway Investment is owned as to 80% by Wang Xiaoli, a sister and therefore an associate of Mr. Wang.

Pursuant to the Trademark (Onshore) Licence Agreements, Beijing Winsway Investment granted to us and our PRC subsidiaries existing as at the date of the Trademark (Onshore) Licence Agreements a non-exclusive licence to use certain trademarks, namely WINSWAY®, 永暉®, WINSWAY 永暉® , BESTWAY® and 浩通® owned and registered by it. The trademarks of WINSWAY®, 永暉®, WINSWAY 永暉® , BESTWAY®

and 浩通® were licensed to us and our PRC subsidiaries on a royalty-free basis for a term commencing from 1 June 2010 except for Bayannao'er Winsway, Urad Zhongqi Haotong, Ejinaqi Winsway, Inner Mongolia Hutie Winsway Logistics, Xinjiang Winsway, Zhoushan Winsway and, Erlian Winsway Mining the date of the relevant trademark licenses for which commenced from 25 January 2011, to the date of expiry of registration of such trademarks. The trademarks of BESTWAY® and 浩通® were licensed to us and our PRC subsidiaries on a royalty-free basis for a term commencing from 25 January 2011, to the date of expiry of registration of such trademarks.

The respective expiry dates of the trademarks are:

Seq.	Certificate no.	Trademark	Expiry date
1	4508752	WINSWAY 永暉	13 September 2018
2	4508753	WINSWAY 永暉	13 September 2018
3	4508754	WINSWAY 永暉	13 September 2018
4	4508755	WINSWAY 永暉	13 September 2018
5	4508736	WINSWAY 永暉	13 September 2018
6	4508737	WINSWAY 永暉	13 September 2018
7	4508746	永暉	13 September 2018
8	4508747	永暉	13 September 2018
9	4508748	永暉	13 September 2018
10	4508767	永暉	27 October 2018
11	5137524	永暉	13 May 2019
12	843838	WINSWAY	27 May 2016
13	839862	WINSWAY	13 May 2016
14	839842	WINSWAY	13 May 2016
15	7656698	浩通	06 December 2020
16	7656303	BESTWAY	06 December 2020

In addition, Beijing Winsway Investment has agreed with our Company that it will also enter into a Trademark (Onshore) Licence Agreement with any additional PRC-incorporated subsidiary directly or indirectly established by us in future. We may renew the term by giving notice on or before 30 days of the date of expiry of such term. It has also agreed to increase the places of registration of the licensed trademarks upon our reasonable request. Beijing Winsway Investment has committed to continuously grant us the use of the renewed trademarks upon their expiry on a free-of-charge basis.

Licence for Non-registered Trademarks

On 18 June 2010, Beijing Winsway Investment granted a licence to Beijing Winsway and our other PRC-incorporated subsidiaries existing as at the date of the Trademark (Onshore) Licence Agreements to use certain trademarks to be registered by it ("**Licence for Non-registered Trademarks**").

Pursuant to the Licence for Non-registered Trademarks, Beijing Winsway Investment granted to Beijing Winsway and our other PRC-incorporated subsidiaries a non-exclusive licence to use trademarks, "**永暉焦煤**" and "**浩通焦煤**" pending registration by it. Beijing Winsway Investment has agreed that once these trademarks are officially registered with the relevant trademark authorities of the PRC, it will license them to Beijing Winsway and our other PRC-incorporated subsidiaries on a royalty-free basis for a term of ten years commencing from the date of approval of registration of such trademarks. Beijing Winsway may renew the term by giving notice on or before 30 days of the date of expiry of such term. It has also agreed to increase the places of registration of the licensed trademarks upon our reasonable request.

Trademark (Offshore) Licence Agreement

We have entered into a trademark licence agreement (the "**Trademark (Offshore) Licence Agreement**") with Winsway Resources Holdings dated 16 August 2010.

Pursuant to the Trademark (Offshore) Licence Agreement, Winsway Resources Holdings granted to us and our subsidiaries a non-exclusive licence to use the "WINSWAY" trademark owned and registered by it in Hong Kong. This trademark was licensed to us and our subsidiaries on a royalty-free basis for a term of ten years commencing from 16 August 2010 and will be automatically renewed upon the expiry of such term unless we serve Winsway Resources Holdings a notice to terminate the agreement six months before the expiry of the relevant term. The governmental fees and agency fees related to the filing of the trademark during the term of the Trademark (Offshore) Licence Agreement will be borne by us. It has also agreed to increase the places of registration of the licensed trademark upon our reasonable request. Winsway Resources Holdings has also agreed to be responsible for any expenses for enforcement against any infringement of the licensed trademark by any third parties.

Guarantee from our connected persons

Prior to the IPO, several of our bank facilities utilized by certain of our Group entities and our Company were guaranteed by Mr. Wang and certain related parties which are under common control of Mr. Wang, including the ING Facilities, Rabobank Facilities and ANZ Facilities and a refinanced OCBC facility. Please refer to the section headed "Description of other material indebtedness" in this Offering Memorandum for further information. All such guarantees were released in 2010, and as of 31 December 2010, no bank facilities utilized by the Group were guaranteed by Mr. Wang or the related parties of the Group which are under common control of Mr. Wang.

Beijing Winsway Lease Agreement

Beijing Winsway entered into a lease agreement with Beijing Winsway Investment dated 30 June 2008 which was renewed 30 June 2009 for the lease of a part of the Beijing Winsway Properties (namely Room 118, Building 2#, 10 Hongda Zhong Road, Beijing Development Area, Beijing the PRC) and on 17 May 2010 for the lease of all of the Beijing Winsway Properties (the "**Beijing Winsway Lease Agreement**").

Pursuant to the Beijing Winsway Lease Agreement, Beijing Winsway Investment has agreed to lease the Beijing Winsway Properties to us for office use until 30 June 2011. The extension of the term is subject to mutual agreement between Beijing Winsway and Beijing Winsway Investment.

The aggregate amount of rental payable by us to Beijing Winsway Investment under the Beijing Winsway Lease Agreement for the six months ended 31 December 2008, for the two years ended 31 December 2009 and 2010 was HKD13,607, HKD27,257 and HKD42,505 respectively.

Our Directors consider that the terms of the lease have been negotiated at arm's length based on normal commercial terms.

Inner Mongolia Haotong Lease Agreement

Inner Mongolia Haotong entered into a lease agreement with Beijing Winsway Investment dated 28 December 2007, which was renewed on 1 January 2009, 1 January 2010 and 11 December 2010, respectively (the "**Inner Mongolia Haotong Lease Agreement**").

Pursuant to the Inner Mongolia Haotong Lease Agreement, Beijing Winsway Investment has agreed to lease the Inner Mongolia Haotong Properties to Inner Mongolia Haotong for office use until 31 March 2011. The extension of the term is subject to mutual agreement between Inner Mongolia Haotong and Beijing Winsway Investment.

Beijing Winsway Investment commenced leasing the Inner Mongolia Haotong Properties to Inner Mongolia Haotong on 1 January 2008 at a rental of RMB300,000 per month (inclusive of management fee, water and electricity charge). The rent was subsequently reduced to RMB114,000 per month (inclusive of management fee, water and electricity charges) when the lease was renewed on 1 January 2009 and 1 January 2010, respectively. The aggregate amount of rental payable by Inner Mongolia Haotong to Beijing Winsway Investment for the two years ended 31 December 2010 was HKD40,892,400, HKD1,553,638 and HKD1,553,638, respectively.

Our Directors consider that the terms of the lease have been negotiated at arm's length based on normal commercial terms.

Sales of construction equipments agreements

In 2010, Ejinaqi Haotong entered into the sales of construction equipments agreements with Suntrans LLC, in which Mr. Wang has a minority interest, pursuant to which Suntrans LLC imported construction equipments from Ejinaqi Haotong with total selling price of RMB884,915 (excluding VAT). For the year ended 31 December 2010, an income of RMB884,915 has been recognized for Ejinaqi Haotong in respect of such sales.

In 2010, Yiteng entered into the sales of construction equipments agreements with AND-ELIT Co., Ltd., in which Mr. Wang has a minority interest, pursuant to which AND-ELIT Co., Ltd. imported construction equipments from Yiteng with total selling price of HKD3,412,580. For the year ended 31 December 2010, an income of HKD3,412,580 has been recognized for Yiteng in respect of the sales.

Purchase of agency service agreement

In 2010, Winsway International Petroleum & Chemicals provided agency service to the Company to purchase Russian coking coal from overseas suppliers with a charge of US$ 0.5 per ton. For the year ended 31 December 2010, the Company purchased 377,222 tonnes of coking coal through such arrangement and incurred an expense of HKD1,465,413.

Confirmation from our Directors

Our Directors, including our independent non-executive Directors, are of the opinion that each of the continuing connected transactions have been entered into on normal commercial terms and in the ordinary and usual course of our business, and are fair and reasonable and in the interests of our shareholders as a whole.

TAXATION

The following summary of certain BVI, the PRC, Hong Kong, Australian, Singapore and United States, tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings, and decisions in effect as of the date of this Offering Memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective investors should consult their professional advisors on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

British Virgin Islands taxation

There is no income or other tax of the BVI imposed by withholding or otherwise on any payment to be made by the Company on the Notes or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

People's Republic of China taxation

Under the PRC EIT Law, an enterprise established outside of the PRC with de facto management bodies within the PRC may be considered a resident enterprise subject to enterprise income tax at the rate of 25% of its global income. The Implementation Rules for the PRC EIT Law provide that the term "de facto management bodies" refers to management bodies with material management and control in all aspects over, without limitation, the production, operation, personnel, finance and assets of the enterprise.

In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of de facto management bodies for enterprises incorporated overseas with controlling shareholders being PRC enterprises. However, there have been no official implementation rules regarding the determination of "de facto management bodies" for enterprises that are not controlled by PRC enterprises, such as companies like us. We hold our shareholders meetings and board meetings outside the PRC, and we keep our shareholders list outside the PRC, and most financing decisions are made outside the PRC. However, most of our directors and senior management are currently based inside the PRC and we keep our books and account inside the PRC. The above elements may be relevant for the tax authorities to determine whether we are a PRC resident enterprise for tax purposes. However, there is no clear standard published by the tax authorities for making such determination.

Although it is unclear under the PRC tax law whether we have a de facto management body located in the PRC for PRC tax purposes, our Company takes the position that we are not a PRC resident enterprise for tax purposes. However, there can be no assurance that the tax authorities will agree with our position. If our Company is deemed a PRC resident enterprise for tax purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our global income.

In addition, if we are deemed a resident enterprise as discussed above we may be obligated to withhold PRC income tax of up to 7% on payments of interest and certain other amounts on the Notes to investors that are both non-resident enterprises and Hong Kong persons (entities that are established in Hong Kong or entities that are established outside of Hong Kong but with management bodies in Hong Kong) or 10% on payments of interest and other amounts on the Notes to investors that are non-resident enterprises but not Hong Kong persons, because the interest and other amounts may be regarded as being derived from sources within the PRC. If we fail to do so, we may be subject to fines and other penalties. Similarly, any gain realized by such non-resident enterprise investor from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to a 10% PRC tax.

Certain U.S. federal income tax considerations

The following is a general discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of the Notes by beneficial owners that purchase the Notes pursuant to this offering at their issue price (which will equal the first price to the public, not including bond houses, brokers or similar persons or organizations acting in the capacity of initial purchasers, placement agents or wholesalers, at which a substantial amount of the Notes is sold for money). This discussion is based upon the Internal Revenue Code of 1986, as amended, (the ''Code''), U.S. Treasury regulations promulgated thereunder, judicial authorities, published positions of the Internal Revenue Service (the ''IRS'') and other applicable authorities, all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). This discussion is limited to investors that hold Notes as capital assets (within the meaning of Section 1221 of the Code). Furthermore, this discussion does not address all of the tax consequences that may be relevant to a particular investor in light of such investor's specific circumstances or to certain categories of investors subject to special treatment under U.S. federal income tax laws (such as banks, insurance companies or certain other financial institutions, tax-exempt organizations, real estate investment trusts, regulated investment companies, entities that are treated as partnerships for U.S. federal income purposes, dealers in securities or currencies, certain U.S. expatriates, persons that have a functional currency that is not the US dollar, persons that have elected ''mark-to-market'' accounting and persons that hold their Notes as part of a straddle, hedge, conversion transaction or other integrated investment). Furthermore, this discussion does not address any state, local or foreign tax implications, or any aspect of U.S. federal tax law other than income taxation.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH HEREIN IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON AN INVESTOR'S PARTICULAR SITUATION. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME AND OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES BASED ON THEIR PARTICULAR CIRCUMSTANCES, INCLUDING ANY CONSEQUENCES ARISING UNDER APPLICABLE STATE, LOCAL AND NON-U.S. TAX LAWS.

For purposes of this discussion, (i) a ''U.S. Holder'' means a beneficial owner of Notes that, for U.S. federal income tax purposes, is (a) an individual who is a citizen or resident of the United States, (b) a corporation (or other entity treated as a corporation) created or organized in or under the laws of the United States or any political subdivision thereof, (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust (1) if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a domestic trust, and (ii) a ''Non-U.S. Holder'' means a beneficial owner of Notes that is an individual, corporation (or other entity treated as a corporation for U.S. federal income tax purposes), trust or estate and that is not a U.S. Holder. If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Notes, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and partners in a partnership holding Notes should consult their tax advisors.

Circular 230 disclosure

Any discussion of U.S. federal tax issues set forth in this Offering Memorandum was written in connection with the promotion or marketing by the Company of the Notes. Such discussion was not intended or written to be legal or tax advice to any person and was not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on them under the Code. Prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

U.S. Holders

Interest and additional amounts

We expect that the Notes will not be issued with original issue discount ("OID"), other than, possibly, *de minimis* OID, for U.S. federal income tax purposes. Accordingly, subject to the discussion below, any interest (including Additional Amounts and any foreign tax withheld, if any) with respect to the Notes generally will be includible in taxable income as ordinary interest income at the time such interest accrues or is received in accordance with the U.S. Holder's regular method of tax accounting. Such interest will be treated as foreign source income for U.S. federal income tax purposes, and generally will constitute "passive category income" or, in certain cases, "general category income" for purposes of computing the U.S. Holder's foreign tax credit allowable under the Code. If foreign tax is withheld, a U.S. Holder may be entitled to a credit or deduction for such withholding tax, subject to the applicable limitations under the Code. The rules relating to foreign tax credits (and the timing thereof) are complex, and U.S. Holders should consult with their tax advisors regarding the availability of a foreign tax credit and the application of the foreign tax credit rules to their particular tax situation.

If, contrary to our expectations, the Notes are issued with OID (i.e., the issue price of the Notes is less than the stated principal amount of the Notes by more than a *de minimis* amount), a U.S. Holder generally would be required to include such OID in income (as ordinary income) as it accrues on a constant yield to maturity basis (regardless of the U.S. Holder's regular method of tax accounting), before the receipt of cash attributable to such income (but will not be taxed again when such cash is received). Under this method, U.S. Holders generally would be required to include in income increasingly greater amounts of OID in successive accrual periods. A U.S. Holder generally may elect to include in gross income all interest on a Note (including stated interest and OID or *de minimis* OID) as it accrues on a constant yield to maturity basis.

We will take the position for U.S. federal income tax purposes that our obligation to pay amounts paid in excess of the stated principal amount of the Notes in certain circumstances (see *"Description of the Notes—Repurchase of Notes Upon a Change of Control Triggering Event"*) will not cause the Notes to be treated as "contingent payment debt instruments" for U.S. federal income tax purposes. The IRS may take a contrary position and may treat the Notes as contingent payment debt instruments under the applicable U.S. Treasury regulations, which could affect the timing and character of income, gain or loss from holding or disposing of the Notes. Our position is not binding on the IRS. If the IRS were to successfully assert a contrary position, a U.S. Holder may be required to accrue income on its Notes in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of a Note before the resolution of the contingencies. This discussion assumes that the Notes are not treated as contingent payment debt instruments for U.S. federal income tax purposes. U.S. Holders should consult their tax advisors concerning this position.

Sales, redemptions and other taxable dispositions

In general, upon the sale, redemption or other taxable disposition (collectively, a "disposition") of a Note, a U.S. Holder will recognize capital gain or loss equal to the difference between the amount realized on such disposition (not including any amount attributable to accrued but unpaid interest, which will be treated as a payment of interest for U.S. federal income tax purposes, and therefore will be taxable as ordinary income to the extent not previously included in gross income) and such U.S. Holder's adjusted tax basis in the Note at the time of such disposition. Such gain or loss generally will constitute long-term capital gain or loss if the U.S. Holder held the Note for more than one year at the time of disposition. A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to such U.S. Holder, reduced by any principal payments received by such U.S. Holder and increased by any OID accrued. Certain non-corporate U.S. Holders (including individuals) are eligible for preferential rates of U.S. federal income taxation in respect of long-term capital gains, which rates currently are scheduled to increase on 1 January 2013. The deductibility of capital losses is subject to certain limitations under the Code. Subject to the discussion below, any gain or loss realized by a U.S. Holder on a disposition of the Notes generally will be treated as U.S. source gain or loss for foreign tax credit purposes.

In the event that we are treated as a PRC resident enterprise for PRC tax purposes, gain on the disposition of the Notes may be subject to PRC tax, as described above under "*Taxation—People's Republic of China*". In that event, U.S. Holders generally will be eligible to claim a foreign tax credit for the amount of PRC tax only to the extent such U.S. Holder has foreign source income in the appropriate income category. However, a U.S. Holder may be able to treat the gain on the disposition of the Note as foreign source income for foreign tax credit purposes if such U.S. Holder is eligible for the benefits of the income tax treaty between the PRC and the United States. The rules relating to foreign tax credits (and the timing thereof) are complex, and U.S. Holders should consult with their tax advisors regarding the availability of any benefits under the income tax treaty between the United States and the PRC, the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular situation.

Non-U.S. Holders

A Non-U.S. Holder of Notes will be exempt from any U.S. federal income or withholding taxes with respect to gain derived from the disposition of, and interest payments received in respect of, the Notes unless such gain or interest is effectively connected with a U.S. trade or business (or, if an income tax treaty applies, is attributable to a U.S. permanent establishment) of such Non-U.S. Holder or, in the case of gain, such Non-U.S. Holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year of the disposition and certain other conditions are met. A Non-U.S. Holder will not be considered to be engaged in a U.S. trade or business solely by reason of holding the Notes.

Backup withholding and information reporting

Information reporting generally will apply to payments of principal and interest (including OID and Additional Amounts, if any) on a Note and to the proceeds from the disposition of a Note by U.S. Holders other than certain exempt recipients (such as corporations). In addition, backup withholding will apply to such payments if the U.S. Holder fails to furnish to its paying agent an IRS Form W-9 containing such U.S. Holder's taxpayer identification number and certain certifications or otherwise fails to establish an exemption from backup withholding. A Non-U.S. Holder may, in certain circumstances, have to comply with certain information and identification procedures establishing that such Non-U.S. Holder is not a United States person to avoid information reporting and backup withholding.

Backup withholding is not an additional tax, and any amounts withheld under the backup withholding rules generally will be allowed as a refund or credit against a holder's U.S. federal income tax liability, provided that the requisite procedures are followed and certain information is provided to the IRS.

Hong Kong tax considerations

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal, premium or interest on the Notes or in respect of any capital gains arising from the sale of the Notes, or otherwise on payments to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

Profits tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

(a) a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(b) a corporation carrying on a trade, profession or business in Hong Kong; or

(c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

Australian tax considerations

Australian resident investor

The following is a general discussion of the Australian taxation issues for a beneficial owner of a Note that is an Australian tax resident ("**Australian Holder**"). It is limited to Australian Holders that will hold the Notes as capital assets. Any investor that will holder the Notes as a revenue investment or is carrying on the business of money lending should seek specific advice.

This discussion is necessarily general in nature and potential investors should obtain their own professional tax advice based on their specific circumstances.

An Australian Holder will be required to include the gross amount of interest received in respect of the Notes in its taxable income. The specific circumstances of the Australian Holder will determine whether for Australian tax purposes it needs to account for the interest as it accrues or when it is actually received.

Any withholding tax that is imposed on the interest on the Notes should give rise to a foreign tax offset against the Australian tax payable by the Australian Holder.

Any sale, transfer or similar dealing with the Notes or redemption of the Notes by the Company or Subsidiary Guarantor will trigger a capital gain tax (CGT) event for the Australian Holder. The Australian Holder will have a taxable capital gain if the capital proceeds received is greater then the CGT cost base and a capital loss if the capital proceeds are less than the CGT cost base. The capital proceeds will include of any principal and premium received but not any unpaid interest. The CGT cost base for the Notes will equal the amount paid to acquire the Note plus certain incidental costs of acquisition.

The tax rate imposed on the interest income and any capital gain that results will depend upon the character of the Australian Holder. Different tax rates can apply depending upon whether the Australian Holder is an individual, company, trust or superannuation fund.

Non-Australian resident investor

The following is a general discussion of the Australian taxation issues for a beneficial owner of a Note that is not an Australian tax resident ("**Non-Australian Holder"**). This discussion does not consider the Australian tax issues for an investor that is a non-resident of Australian but has an Australian permanent establishment. Any investor in this category should seek specific advice.

No withholding tax or other tax liability will be payable in Australia by a Non-Australian Holder in respect of the payments of principal, premium or interest on the Notes by the Company. A Non-Australian Holder will not be subject to Australian CGT on the sale, transfer or similar dealing with the Notes or redemption of the Notes.

If a Subsidiary Guarantor that is an Australian tax resident is required to pay interest pursuant to the Subsidiary Guarantee then that payment to a Non-Australian Holder may be subject to Australian withholding tax. However, any payments of principal or premium should not be subject to Australian withholding tax.

The Non-Australian Holder should seek its own advice as to whether any withholding tax will give rise to a foreign tax credit in the relevant jurisdiction of the Non-Australian Holder.

Singapore Taxation

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines issued by the relevant governing authorities of Singapore in force as at the date of this Offering Memorandum and are subject to any changes in such laws or administrative guidelines, or the interpretation of those laws or guidelines, occurring after such date, which changes could be made on a retroactive basis. Neither these statements nor any other statements in this Offering Memorandum are intended or are to be regarded as advice on the tax position of any holders of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Prospective holders of the Notes are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that neither the Company, the Subsidiary Guarantors and any other persons involved in this Offering accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

Income tax—General

Individual taxpayers

An individual is a tax resident in Singapore in a year of assessment if in the preceding year he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more or if he resides in Singapore.

Individual taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore. All foreign-sourced income received in Singapore on or after 1 January 2004 by a Singapore tax resident individual (except for income received through a partnership in Singapore) is exempt from Singapore income tax. In addition, certain Singapore-sourced investment income derived by a Singapore tax resident individual from financial instruments (except for income received through a partnership in Singapore or derived from the carrying on of a trade, business or profession) is exempt from tax.

A Singapore tax resident individual is currently taxed at progressive rates ranging from 0% to 20% for the year of assessment 2011 (that is, in respect of income earned during the earned year or other basis period ending in 2010).

Non-tax resident individuals, subject to certain exceptions and conditions, are currently subject to Singapore income tax on income accruing in or derived from Singapore at the rate of 20% for the year of assessment 2011.

Corporate taxpayers

A company is tax resident in Singapore if the control and management of its business is exercised in Singapore.

Companies, with certain exceptions, are subject to Singapore income tax on income accruing in or derived from Singapore, and on foreign-sourced income received or deemed to be received in Singapore. Tax resident companies are exempt from tax on foreign-sourced dividends, branch profits and certain service income, subject to stipulated conditions being met.

The corporate tax rate in Singapore is 17% with effect from the year of assessment 2010. In addition, three-quarters of up to the first S$10,000, and one-half of up to the next S$290,000, of a company's chargeable income otherwise subject to normal taxation is exempt from corporate tax. New companies will also, subject to certain conditions, be eligible for full tax exemption on their normal chargeable income of up to S$100,000 and a further 50% exemption is given on the next $200,000 a year for each of the company's first three years of assessment.

Withholding tax

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, Chapter 134 of Singapore ("**ITA**"), the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be tax resident in Singapore, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-tax resident persons (other than non-tax resident individuals where the applicable rate is 20%) is 17% with effect from the year of assessment 2010. However, if the payment is derived by a person not tax resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The rate of 15% may be reduced by applicable tax treaties.

Any payment in respect of the Notes to be made by the Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees which are regarded as falling within Section 12(6) of the ITA, will be subject to deduction or withholding for tax under Section 45 or Section 45A of the ITA. Relief from such withholding tax may be available pursuant to the relevant provisions of an applicable tax treaty.

Capital gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, will be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standard 39 ("**FRS 39**"), may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39. Please see the section below on "Adoption of FRS 39 treatment for Singapore income tax purposes".

Adoption of FRS 39 treatment for Singapore income tax purposes

The Inland Revenue Authority of Singapore has issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39—Financial Instruments: Recognition and Measurement" (the "**FRS 39 Circular**"). The ITA has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain "opt-out" provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Holders of the Notes who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

Estate duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

Stamp duty

There is no stamp duty payable for the transfer of the Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, charge or other transfer of the Notes.

United States restrictions

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act, and may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only to (1) "qualified institutional buyers" (as defined in Rule 144A) in compliance with Rule 144A and (2) outside the United States in offshore transactions in compliance with Regulation S.

By its purchase of the Notes, each purchaser of the Notes will be deemed to:

1. represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (i) a qualified institutional buyer, and is aware that the sale to it is being made in reliance on Rule 144A, or (ii) a purchaser that is outside the United States;

2. acknowledge that the Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except as set forth below;

3. agree that if it is a purchaser other than a purchaser outside the United States, and if it should resell or otherwise transfer the Notes within the time period referred to in Rule 144 under the Securities Act with respect to such transfer, it will do so only: (a) if such purchaser is an initial investor, (i) to us or any Subsidiary, (ii) within the United States to a qualified institutional buyer in compliance with Rule 144A, (iii) outside the United States in an offshore transaction in compliance with Rule 904 under the Securities Act, or (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or (b) if such purchaser is a subsequent investor of an interest in the Restricted Global Note, as set forth in (a) above and, in addition, pursuant to any other available exemption from the registration requirements under the Securities Act (provided that as a condition to the registration of transfer of any Notes otherwise than as described in (a)(i), (a)(ii) or (a)(iii) above or (c) below, we, the Subsidiary Guarantors, the Trustee or any Paying Agent may, in circumstances that any of them deems appropriate, require evidence as to compliance with any such exemption); or (c) pursuant to an effective registration statement under the Securities Act;

4. agree that it will inform each person to whom it transfers Notes of any restrictions on transfer of such Notes;

5. understand that if it is a purchaser outside the United States, the Notes will be represented by the Regulation S Global Note and that transfers thereto are restricted as described under "Description of the Notes—Book-Entry; Delivery and Form." If it is a qualified institutional buyer, it understands that the Notes offered in reliance on Rule l44A will be represented by the Restricted Global Note. Before any interest in the Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who is not a qualified institutional buyer, the transferee will be required to provide the Trustee with a written certification (the form of which certification can be obtained from the Trustee) as to compliance with the transfer restriction referred to above;

6. understand that each Note sold within the United States will bear a legend to the following effect, unless otherwise agreed by us and the holder thereof (unless such Note has been sold pursuant to a registration statement that has been declared effective under the Securities Act);

7. THIS NOTE AND THE SUBSIDIARY GUARANTEES RELATED TO THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT WITHIN THE TIME PERIOD REFERRED TO IN RULE 144 UNDER THE SECURITIES ACT AS IN EFFECT WITH RESPECT TO SUCH TRANSFER, RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) IF SUCH PURCHASER IS AN INITIAL PURCHASER, (I) TO WINSWAY COKING COAL HOLDINGS LIMITED (THE "COMPANY") OR ANY SUBSIDIARY THEREOF, (II) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, OR (IV) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); OR (B) IF SUCH PURCHASER IS A SUBSEQUENT PURCHASER OF AN INTEREST IN THE RESTRICTED GLOBAL NOTE, AS SET FORTH IN (2)(A) ABOVE AND, IN ADDITION, PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT (PROVIDED THAT AS A CONDITION TO THE REGISTRATION OF TRANSFER OF ANY NOTES OTHERWISE THAN AS DESCRIBED IN (2)(A)(I), (A)(II) OR A(III) ABOVE OR (2)(C) BELOW, THE COMPANY, THE SUBSIDIARY GUARANTORS, THE TRUSTEE OR ANY PAYING AGENT MAY, IN CIRCUMSTANCES THAT ANY OF THEM DEEMS APPROPRIATE, REQUIRE EVIDENCE AS TO COMPLIANCE WITH ANY SUCH EXEMPTION); OR (C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE AND THE PAYING AGENT TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS;

8. acknowledge that we, the Subsidiary Guarantors, the Trustee, the Paying Agent, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes are no longer accurate, it shall promptly notify us, the Subsidiary Guarantors, the Trustee, the Paying Agent and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

PLAN OF DISTRIBUTION

We intend to offer the Notes through the Initial Purchasers named below. Subject to the terms and conditions contained in a purchase agreement dated 1 April 2011, each Initial Purchaser named below has severally agreed to purchase from us, and we have agreed to sell to that Initial Purchaser, the principal amount of Notes listed opposite its name below.

Initial Purchaser	Principal Amount
Deutsche Bank AG, Singapore Branch	US$325,000,000
Merrill Lynch International	US$75,000,000
Goldman Sachs (Asia) L.L.C.	US$75,000,000
ICBC International Securities Limited	US$25,000,000
Total	US$500,000,000

The Initial Purchasers have agreed to purchase all of the Notes being sold pursuant to the purchase agreement, if any of the Notes are purchased. The Initial Purchasers have advised us that they propose initially to offer the Notes at the price listed on the cover page of this Offering Memorandum. The price at which the Notes are offered and other selling terms may be changed from time to time without notice by the Initial Purchasers. The Initial Purchasers may offer the Notes in various jurisdictions through certain of its affiliates.

We have agreed that, for a period of 90 days from the date the Notes are first issued, we will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell or otherwise dispose of any securities issued or guaranteed by us that are substantially similar to the Notes.

We and the Subsidiary Guarantors have agreed in the purchase agreement to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by it subject to approval of legal matters by its counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

We expect that delivery of the Notes will be made against payment therefore on or about the closing date specified on the cover page of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Notes (this settlement cycle being referred to as "T+5"). Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

In connection with the offering, the Initial Purchasers or any of their affiliates acting as an investor for its own account may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any of our securities and may offer or sell such securities otherwise than in connection with the offering. Accordingly, references in this Offering Memorandum to the Notes being offered or placed should be read as including any offering or placement of securities to the Initial Purchasers or any of their affiliates acting as an investor for its own account. The Initial Purchasers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Selling restrictions

General

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

The Initial Purchasers, through their affiliates, acting as selling agents where applicable, propose to offer the Notes to certain persons in offshore transactions in reliance on Regulation S and in accordance with applicable law and propose to offer the Notes to qualified institutional buyers in the United States pursuant to Rule 144A. Except as permitted under the purchase agreement, the Notes will not be offered, sold or delivered within the United States. Terms used in this paragraph have the meanings given to them by Regulation S.

PRC

The Notes will not be offered or sold within the PRC by means of this Offering Memorandum or any other document.

British Virgin Islands

No invitation has been or will be made on our behalf, directly or indirectly, to any person resident in the BVI to subscribe for any of the Notes.

Hong Kong

The Notes have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. The Initial Purchasers have not issued or had in their possession for the purposes of issue, and will not issue or have in their possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are intended to be disposed of to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made thereunder.

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Notes may not be circulated or distributed, nor may Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA.

United Kingdom

No invitation or inducement to engage in investment activity (within the meanings of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by the Initial Purchasers in connection with the issue or sale of the Notes may be communicated or caused to be communicated except in circumstances in which section 21(1) of the FSMA does not apply to the Initial Purchasers. All applicable provisions of the FSMA must be complied with respect to anything done or to be done by the Initial Purchasers in relation to any Notes in, from or otherwise involving the United Kingdom.

New issue of notes

The Notes will constitute a new class of securities with no established trading market. The Initial Purchasers have advised us that it currently intends to make a market in the Notes as permitted by applicable law.

However, it is not obligated to do so and any market-making activities with respect to the Notes may be discontinued at any time without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Notes.

Price stabilization and short positions

Deutsche Bank AG, Singapore Branch (or its affiliates) may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit Deutsche Bank AG, Singapore Branch (as stabilizing manager) to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers make any representation that Deutsche Bank AG, Singapore Branch (as stabilizing manager) will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other relationships

Certain of the Initial Purchasers or their affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses.

RATINGS

The Notes are expected to be rated Standard and Poor's Rating Services, Fitch Ratings and Moody's Investor Service. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and the interest on the Notes. The credit ratings accorded the Notes are not a recommendation to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Notes, on any of our other securities, or on us. See "Risk Factors—Risks related to the Offering and the Notes—The ratings assigned to the Notes may be lowered or withdrawn in the future".

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by Reed Smith Richards Butler as to matters of United States federal and New York law and by King and Wood as to matters of PRC law.

Certain legal matters in connection with this offering will be passed upon for the Joint Bookrunners and Joint Lead Managers by Davis Polk & Wardwell LLP as to matters of United States federal and New York law and by Junhe Law Offices as to matters of PRC law.

INDEPENDENT AUDITORS

The financial statements of the Group as of and for the years ended 31 December 2008, 2009 and 2010, included in this Offering Memorandum, have been audited by KPMG, independent auditors, as stated in their report appearing herein.

For the purpose of the offers and sales outside the United States in reliance on Regulation S and within the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act, KPMG has acknowledged the references to its name and the inclusion of its reports in the form and context in which they are respectively included in this Offering Memorandum.

LISTING AND GENERAL INFORMATION

Consents

We have each obtained all necessary consents, approvals and authorizations in BVI in connection with the issue and performance of the Notes. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors dated 4 March 2011.

Documents available

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents. For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two financial years may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

Clearing system and settlement

The Notes have been accepted for clearance through the facilities of DTC and Euroclear and Clearstream as participants in DTC. Certain trading information with respect to the Notes is set forth below:

	CUSIP	ISIN
Restricted Global Note	975731 AA8	US975731AA80
Regulation S Global Note	G97214 AA1	USG97214AA16

Only Notes evidenced by either a Restricted Global Note or a Regulation S Global Note have been accepted for clearance through DTC and Euroclear and Clearstream as participants in DTC.

Listing of the notes

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, or opinions expressed or reports contained in this Offering Memorandum. Admission of the Notes to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the Company, its respective subsidiaries or associated companies or the Notes.

Subject to the approval of the SGX-ST, the Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as any of the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for Notes in definitive form. In addition, in the event that a Global Note is exchanged for Notes in definitive form, announcement of such exchange shall be made by us or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the Notes in definitive form, including details of the paying agent in Singapore, so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008, 2009 AND 2010

Appendix 1 Audited Financial Statements

Independent Auditor's Report
to the Board of Directors 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 "the Group") set out on pages F-4 to F-61, which comprise the consolidated statements of financial position as at 31 December 2008, 2009 and 2010, 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 years then ended (the "Relevant Period") 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 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, in accordance with our agreed terms of engagement, 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2008, 2009 and 2010 and of the Group's consolidated financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 March 2011

CONSOLIDATED INCOME STATEMENT

for the years ended 31 December 2008, 2009 and 2010

(Expressed in Hong Kong dollars)

	Note	Years ended 31 December 2008	2009	2010
		$'000	**$'000**	**$'000**
Continuing operations				
Turnover	4	1,113,858	5,283,216	9,271,665
Cost of sales		(619,786)	(4,322,158)	(7,154,115)
Gross profit		494,072	961,058	2,117,550
Other revenue		6,913	8,902	25,972
Distribution costs		(122,825)	(268,945)	(471,487)
Administrative expenses		(69,817)	(103,974)	(358,533)
Other operating expenses, net	5	(11,224)	(730)	(11,166)
Profit from operating activities		297,119	596,311	1,302,336
Finance income	6(a)	5,023	7,041	65,825
Finance costs	6(a)	(3,734)	(42,034)	(179,928)
Net financial income / (costs)		1,289	(34,993)	(114,103)
Share of losses of jointly controlled entity		-	-	(8,080)
Profit before taxation	6	298,408	561,318	1,180,153
Income tax	7	11,927	(70,367)	(251,390)
Profit from continuing operations		310,335	490,951	928,763
Discontinued operations				
Loss from discontinued operations (net of income tax)	34	(37,296)	(9,246)	-
Gain on sale of discontinued operations (net of income tax)	34	141	33,550	-
Profit for the year		273,180	515,255	928,763
Attributable to:				
Equity shareholders of the Company		274,228	515,255	928,826
Non-controlling interests		(1,048)	-	(63)
Profit for the year		273,180	515,255	928,763
Earnings per share (HK$)	8			
Total operations				
—Basic		0.133	0.250	0.352
—Diluted		0.133	0.250	0.346
Continuing operations				
—Basic		0.151	0.238	0.352
—Diluted		0.151	0.238	0.346
Discontinued operations				
—Basic		(0.018)	0.012	-
—Diluted		(0.018)	0.012	-

The notes on pages F-11 to F-61 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 29(a).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December 2008, 2009 and 2010

(Expressed in Hong Kong dollars)

	Note	Years ended 31 December		
		2008	**2009**	**2010**
		$'000	**$'000**	**$'000**
Profit for the year		273,180	515,255	928,763
Other comprehensive income for the year:	10			
Exchange differences on translation of financial statements of overseas subsidiaries and jointly controlled entity (net of income tax)		4,665	167	45,164
Total comprehensive income for the year		277,845	515,422	973,927
Attributable to:				
Equity shareholders of the Company		278,893	515,422	971,957
Non-controlling interests		(1,048)	-	1,970
Total comprehensive income for the year		277,845	515,422	973,927

The notes on pages F-11 to F-61 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2008, 2009 and 2010

(Expressed in Hong Kong dollars)

	Note	At 31 December 2008	2009	2010
		$'000	**$'000**	**$'000**
Non-current assets				
Property, plant and equipment, net	11	327,888	447,008	473,927
Construction in progress	12	14,681	41,204	281,879
Lease prepayments	13	8,855	8,822	204,784
Intangible assets	14	717	75	237
Interest in a jointly controlled entity	15	-	-	362,956
Other investments in equity securities	16	-	16,354	89,054
Receivables under finance lease	17	29,903	-	-
Deferred tax assets	28(b)	42,166	34,334	48,262
Total non-current assets		424,210	547,797	1,461,099
Current assets				
Inventories	18	365,408	1,190,419	1,972,557
Trade and other receivables	19	329,321	1,840,260	2,450,881
Receivables under finance lease	17	30,029	-	-
Restricted bank deposits	20	336,698	642,536	344,062
Cash and cash equivalents	21	112,416	277,300	2,894,421
Total current assets		1,173,872	3,950,515	7,661,921
Current liabilities				
Secured bank and other loans	22	679,249	1,589,466	1,010,109
Trade and other payables	27	299,502	1,729,028	1,317,368
Income tax payable	28	10,739	35,709	90,708
Total current liabilities		989,490	3,354,203	2,418,185
Net current assets		184,382	596,312	5,243,736
Total assets less current liabilities		608,592	1,144,109	6,704,835
Non-current liabilities				
Secured bank and other loans	22	-	-	62,577
Deferred tax liabilities	28(b)	2,148	-	-
Deferred income	23	-	-	97,389
Total non-current liabilities		2,148	-	159,966
NET ASSETS		606,444	1,144,109	6,544,869
CAPITAL AND RESERVES				
Share capital	29(b)	383,522	383,522	5,014,339
Reserves	29	222,922	760,587	1,454,489
Total equity attributable to equity shareholders of the Company		606,444	1,144,109	6,468,828
Non-controlling interests		-	-	76,041
TOTAL EQUITY		606,444	1,144,109	6,544,869

Approved and authorised for issue by the board of directors on 22 March 2011.

WANG XINGCHUN)
) Directors
YASUHISA YAMAMOTO)

The notes on pages F-11 to F-61 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended 31 December 2008, 2009 and 2010

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
	Note	**Share capital**	**Statutory reserve**	**Other reserve**	**Exchange reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
		$'000 (Note 29(b))	**$'000 (Note 29(c))**	**$'000 (Note 29(c))**	**$'000 (Note 29(c))**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January 2008		297,859	6,098	(14,270)	3,769	35,453	328,909	792	329,701
Capital injection		85,663	-	-	-	-	85,663	-	85,663
Acquisition of non-controlling interests		-	-	(9,803)	-	-	(9,803)	480	(9,323)
Disposal of discontinued operation		-	-	-	-	-	-	(224)	(224)
Dividends approved in respect of the current year		-	-	-	-	(77,218)	(77,218)	-	(77,218)
Total comprehensive income for the year		-	-	-	4,665	274,228	278,893	(1,048)	277,845
Appropriation to statutory reserve		-	1,731	-	-	(1,731)	-	-	-
Balance at 31 December 2008		383,522	7,829	(24,073)	8,434	230,732	606,444	-	606,444
Balance at 1 January 2009		383,522	7,829	(24,073)	8,434	230,732	606,444	-	606,444
Total comprehensive income for the year		-	-	-	167	515,255	515,422	-	515,422
Arising from the Reorganisation (as defined in Note 1)		-	-	22,243	-	-	22,243	-	22,243
Appropriation to statutory reserve		-	15,459	-	-	(15,459)	-	-	-
Balance at 31 December 2009		383,522	23,288	(1,830)	8,601	730,528	1,144,109	-	1,144,109

The notes on pages F-11 to F-61 form part of these financial statements.

		Attributable to equity shareholders of the Company							
	Note	Share capital	Statutory reserve	Other reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
		$'000 (Note 29(b))	$'000 (Note 29(c))	$'000 (Note 29(c))	$'000 (Note 29(c))	$'000	$'000	$'000	$'000
Balance at 1 January 2010		383,522	23,288	(1,830)	8,601	730,528	1,144,109	-	1,144,109
Capital injection		78,003	-	-	-	-	78,003	-	78,003
Arising from the Reorganisation (as defined in Note 1)		-	-	(23,208)	-	-	(23,208)	-	(23,208)
Equity component of convertible bonds	24	-	-	18,216	-	-	18,216	-	18,216
Equity component of redeemable convertible preferred shares	25	-	-	16,794	-	-	16,794	-	16,794
Partial disposal of equity interest in a subsidiary company		-	-	3,038	-	-	3,038	50,473	53,511
Contribution from non-controlling interests		-	-	-	-	-	-	23,598	23,598
Dividends declared and paid to the equity shareholder of the Company	29(a)	-	-	-	-	(243,703)	(243,703)	-	(243,703)
Dividends declared and paid to the holder of redeemable convertible preferred shares	29(a)	-	-	-	-	(43,302)	(43,302)	-	(43,302)
Interests paid to the holders of convertible bonds	29(a)	-	-	-	-	(42,039)	(42,039)	-	(42,039)
Conversion of convertible bonds	24	489,154	-	(18,216)	-	-	470,938	-	470,938
Conversion of redeemable convertible preferred shares	25	485,860	-	(16,794)	-	-	469,066	-	469,066
Share issued for investment in the jointly-controlled entity		77,594	-	-	-	-	77,594	-	77,594
Issue of new share, net of issuing expenses		3,500,206	-	-	-	-	3,500,206	-	3,500,206
Equity settled share-based transactions		-	-	71,159	-	-	71,159	-	71,159
Total comprehensive income for the year		-	-	-	43,131	928,826	971,957	1,970	973,927
Appropriation to statutory reserve		-	85,456	-	-	(85,456)	-	-	-
Balance at 31 December 2010		5,014,339	108,744	49,159	51,732	1,244,854	6,468,828	76,041	6,544,869

The notes on pages F-11 to F-61 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the years ended 31 December 2008, 2009 and 2010

(Expressed in Hong Kong dollars)

	Note	Years ended 31 December		
		2008	**2009**	**2010**
		$'000	**$'000**	**$'000**
Operating activities				
Profit for the year		273,180	515,255	928,763
Adjustments for:				
Depreciation		26,809	56,772	56,129
Impairment loss on property, plant and equipment		5,398	-	-
Amortisation of lease prepayments		78	47	2,390
Amortisation of intangible assets		1,593	642	86
Interest income		(12,491)	(10,534)	(18,768)
Interest expense		26,224	48,843	179,928
Equity settled share-based transactions		-	-	71,159
Loss on disposal of property, plant and equipment		5,958	454	5,031
Gain on disposal of discontinued operations	34	(141)	(33,550)	-
Share of loss of a jointly controlled entity		-	-	8,080
Foreign exchange (gain)/loss, net		(5,320)	1,338	(47,057)
Income tax	7	(10,359)	70,315	251,390
		310,929	649,582	1,437,131
Increase in inventories		(167,130)	(913,830)	(782,138)
(Increase)/decrease in trade and other receivables		(26,133)	(1,752,434)	24,309
Increase/(decrease) in trade and other payables		45,839	1,703,379	(420,635)
Income tax paid		(21,635)	(39,320)	(211,275)
Net cash generated from/(used in) operating activities		141,870	(352,623)	47,392
Investing activities				
Payment for purchase of property, plant and equipment, construction in progress, lease prepayments and intangible assets		(285,185)	(191,954)	(855,979)
Government grants received		-	-	97,389
Proceeds from sales of property, plant and equipment		-	-	60,406
Proceeds from disposal of discontinued operations		5,664	87,888	-
Interest received		8,335	9,010	18,768
(Increase)/decrease in restricted bank deposits		(314,239)	(535,863)	298,474
Payment for purchase of investments in equity securities		-	(16,341)	(70,657)
Loan to a third party company		-	-	(311,328)
Payment for investment in a jointly controlled entity		-	-	(293,442)
Net cash used in investing activities		(585,425)	(647,260)	(1,056,369)

The notes on pages F-11 to F-61 form part of these financial statements.

	Note	Years ended 31 December 2008	2009	2010
		$'000	$'000	$'000
Financing activities				
Proceeds from bank and other loans		785,864	2,230,761	7,748,414
Repayment of bank and other loans		(252,378)	(1,029,224)	(8,275,569)
Interest paid		(19,172)	(50,655)	(94,954)
Dividends paid	29(a)	(77,218)	-	(328,426)
Capital injections from equity shareholders of the Company		85,663	-	78,003
Contribution from equity shareholders of the Company		-	13,618	-
Distribution to equity shareholders of the Company		-	-	(23,208)
Proceeds from the issue of convertible bonds, net of issuing expenses		-	-	445,902
Proceeds from the issue of redeemable convertible preferred shares, net of issuing expenses		-	-	442,100
Proceeds from shares issued		-	-	3,663,000
Payment of issuing expense		-	-	(115,553)
Proceeds from partial disposal of interest in a subsidiary company		-	-	5,610
Acquisition of non-controlling interests		(11,264)	-	-
Contribution from non-controlling interests		-	-	23,598
Net cash generated from financing activities		511,495	1,164,500	3,568,917
Net increase in cash and cash equivalents		67,940	164,617	2,559,940
Cash and cash equivalents at 1 January	21(a)	40,579	112,416	277,300
Effect of foreign exchange rate changes		3,897	267	57,181
Cash and cash equivalents at 31 December	21(a)	112,416	277,300	2,894,421

The notes on pages F-11 to F-61 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION AND GROUP REORGANISATION

The Company was incorporated in the British Virgin Islands on 17 September 2007 with limited liability under the Business Companies Act of the British Virgin Islands (2004). At the date of incorporation, the Company was named as "China Bestcway Resources Holdings Limited". The name of the Company was subsequently changed to "China Bestway Resources Holdings Limited" and "Winsway Coking Coal Holdings Limited" on 28 January 2008 and 29 July 2009 respectively. The Company and its subsidiaries are principally engaged in the processing and trading of coking coals and investment holding in a jointly controlled entity developing coal mills. The consolidated financial statements of the Company for each of the years ended 31 December 2008, 2009 and 2010 comprise the Company and its subsidiaries.

Pursuant to a group reorganisation completed on 9 August 2010 (the "Reorganisation") to rationalise the group structure for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 27 September 2010. The Company's shares were listed on the Stock Exchange on 11 October 2010.

The Group is regarded as a continuing group resulting from the Reorganisation under common control. The assets and liabilities of the Company and its subsidiaries under common control have been accounted for at historical costs.

The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for the years presented, rather than from the date of the Reorganisation. Accordingly, the consolidated results of the Group for the years ended 31 December 2008, 2009 and 2010 included the results of the Company and its subsidiaries with effect from 1 January 2008 or since their respective dates of incorporation, whichever is a shorter period as if the current group structure had been in existence throughout the three years presented. All material intra group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing these financial statements, the Group has adopted all these new and revised IFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the year ended 31 December 2010. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Period are set out in note 40.

The financial statements also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(b) Basis of preparation of the financial statements

The financial statements for each of the years ended 31 December 2008, 2009 and 2010 comprise the Company and its subsidiaries (together referred to as the "Group") 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:

—Convertible notes (see Note 2(n));

—Preferred shares (see Note 2(p)); and

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

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 financial statements and major sources of estimation uncertainty are discussed in Note 35.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the functional currency of the Company and its subsidiaries. The Company's functional currency is United Stated dollars ("US$"). 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$.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(n), (o), (p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(d) 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 established that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 2(e) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to Nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recoginsed immediately in profit or loss.

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's 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. Cost includes attributable transaction costs, except where indicated otherwise below.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(k)).

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

(g) Business combination for entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the equity shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the Relevant Period or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's consolidated financial statements.

Upon transfer of interest in an entity to another entity that is under the control of the equity shareholder that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

(h) Property, plant and equipment

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

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the statement of financial position at cost less impairment losses (see Note 2(k)). The construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	10 to 20 years
Plant and machinery	5 to 10 years
Motor vehicles	4 to 5 years
Office and other equipment	3 to 10 years

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

(i) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation with finite useful lives, and impairment losses (see Note 2(k)). Amortisation is recognised in profit or loss on a straight-line basis over the expected useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Coal business license in the PRC	3 years
Software	10 years

(j) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Receivables under finance leases

Where the Group leased out assets under finance leases, the initial direct costs incurred on such assets are recorded as receivables under finance leases. Finance income 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 receivables for each accounting period.

(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 asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iv) Lease prepayments

Lease prepayments represent the purchase cost of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see Note 2(k)). Amortisation is charged to profit or loss on a straight-line basis over the period of the land use rights.

(k) Impairment of assets

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- 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 investments in jointly controlled entities recognised using the equity method (see Note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with Note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(k)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value

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

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

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

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of the each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- lease prepayments;
- intangible assets;
- investments in subsidiaries; and
- goodwill

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

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see Note 2(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost, less allowance for impairment of doubtful debts.

(n) Convertible notes

Convertible notes that contain an equity component and can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the other reserve until either the note is converted or redeemed.

If the note is converted, the other reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital as consideration for the shares issued. If the note is redeemed, the other reserve is released directly to retained earnings.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Preferred shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option and any dividends are discretionary. Dividends on preferred shares classified as equity are recognised as distributions within equity.

Preferred shares are classified as liabilities if they are redeemable on a specific date or at the option of the preferred shareholders of the Company, or if dividend payments are not discretionary. The liabilities are recognised in accordance with the Group's policy for interest-bearing borrowings set out in Note 2(o) and accordingly dividends thereon are recognised on an accruals basis in profit or loss as part of finance costs.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(u)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Obligations for contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

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

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.

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.

(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.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

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

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the assets.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars 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.

(y) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, the below is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

(z) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venture.

(iv) the party is a member of key management personnel of the Group or the Group's parent, or, a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(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 CHANGE IN PRESENTATION CURRENCY

During the year ended 31 December 2010, the Group has changed its presentation currency for the preparation of its financial statements from Renminbi ("RMB") to Hong Kong dollars ("HK$"). The Board of Directors considers the change will result in a more appropriate presentation of the Group's transactions in the financial statements. Whereas the change in presentation currency of the Company was applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the comparative figures as at 31 December 2008 and 2009 and for the years ended 31 December 2008 and 2009 have also been restated to the change in presentation currency to HK$ accordingly.

The change in presentation currency has no significant impact on the financial position of the Group as at 31 December 2008, 2009 and 2010, or the results and cash flows of the Group for the years ended 31 December 2008, 2009 and 2010.

4 TURNOVER

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

	Continuing operations		
	Years ended 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Cleaned coking coals	921,540	1,787,133	4,284,114
Raw coking coals	180,420	207,712	789,320
Hard coals	-	3,215,877	4,155,712
Others	11,898	72,494	42,519
	1,113,858	5,283,216	9,271,665

During the year ended 31 December 2008, the Group had two customers that individually exceeded 10% of the Group's turnover, being $631,553,713 and $188,598,253 respectively.

During the year ended 31 December 2009, the Group had no customer that individually exceeded 10% of the Group's turnover.

During the year ended 31 December 2010, the Group had one customer that individually exceeded 10% of the Group's turnover, being $1,219,248,996.

Details of concentration of credit risk arising from the largest and the largest five customers are set out in Note 30(a).

5 OTHER OPERATING EXPENSES, NET

Other operating expenses for the years ended 31 December 2008 and 2010 mainly represent losses on disposal of materials and property, plant and equipment.

6 PROFIT BEFORE TAXATION

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

(a) Net finance (income)/costs

	Continuing operations			Discontinued operations			Total		
	Years ended 31 December			Years ended 31 December			Years ended 31 December		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Interest income	(1,013)	(7,041)	(18,768)	(7,322)	(1,969)	-	(8,335)	(9,010)	(18,768)
Finance income on receivables under financial lease	-	-	-	(4,156)	(1,524)	-	(4,156)	(1,524)	-
Total interest income	(1,013)	(7,041)	(18,768)	(11,478)	(3,493)	-	(12,491)	(10,534)	(18,768)
Foreign exchange gain, net	(4,010)	-	(47,057)	(13,350)	-	-	(17,360)	-	(47,057)
Finance income	(5,023)	(7,041)	(65,825)	(24,828)	(3,493)	-	(29,851)	(10,534)	(65,825)
Interest on secured bank and other loans wholly repayable within five years	1,284	20,343	37,661	22,490	8,147	-	23,774	28,490	37,661
Interest on discounted bills	2,450	20,353	41,642	-	-	-	2,450	20,353	41,642
Interest on liability component of convertible bonds	-	-	49,942	-	-	-	-	-	49,942
Interest on liability component of redeemable convertible preferred shares	-	-	50,683	-	-	-	-	-	50,683
Total interest expense	3,734	40,696	179,928	22,490	8,147	-	26,224	48,843	179,928
Foreign exchange loss, net	-	1,338	-	-	-	-	-	1,338	-
Finance costs	3,734	42,034	179,928	22,490	8,147	-	26,224	50,181	179,928
Net finance (income)/costs	(1,289)	34,993	114,103	(2,338)	4,654	-	(3,627)	39,647	114,103

(b) Staff costs

	Continuing operations			Discontinued operations			Total		
	Years ended 31 December			Years ended 31 December			Years ended 31 December		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Salaries, wages, bonus and other benefits	29,983	36,635	139,452	4,095	494	-	34,078	37,129	139,452
Contributions to defined contribution retirement plan . . .	841	844	3,743	10	1	-	851	845	3,743
Share-based payment expenses . .	-	-	71,159	-	-	-	-	-	71,159
	30,824	37,479	214,354	4,105	495	-	34,929	37,974	214,354

Staff costs included directors' remuneration.

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the Group is required to make contributions to the Schemes at a rate of 20% of the eligible employees' salaries during the Relevant Period.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

(c) Other items

	Continuing operations			Discontinued operations			Total		
	Years ended 31 December			Years ended 31 December			Years ended 31 December		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Government grants	6,913	8,902	24,467	-	-	-	6,913	8,902	24,467
Amortisation									
—leased assets	78	47	2,390	-	-	-	78	47	2,390
—intangible assets	443	448	86	1,150	194	-	1,593	642	86
Depreciation	16,620	53,968	56,129	10,189	2,804	-	26,809	56,772	56,129
Operating lease charges, mainly relating to buildings	4,135	8,860	30,768	-	-	-	4,135	8,860	30,768
Impairment losses on buildings	-	-	-	5,398	-	-	5,398	-	-
Auditors' remuneration									
—audit services	710	3,242	3,800	-	-	-	710	3,242	3,800
Listing expenses	-	-	32,286	-	-	-	-	-	32,286
Cost of inventories#	619,786	4,322,158	7,154,115	-	-	-	619,786	4,322,158	7,154,115

Cost of inventories includes $3,147,094, $8,020,889, $14,050,294 and $14,300,752, $29,531,167, $35,619,953 relating to staff costs and depreciation for the years ended 31 December 2008, 2009 and 2010, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Continuing operations			Discontinued operations			Total		
	Years ended 31 December			Years ended 31 December			Years ended 31 December		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current tax									
Provision for the year	6,953	62,527	263,971	1,568	(52)	-	8,521	62,475	263,971
Deferred tax									
Origination and reversal of temporary differences	(18,880)	7,840	(12,581)	-	-	-	(18,880)	7,840	(12,581)
	(11,927)	70,367	251,390	1,568	(52)	-	(10,359)	70,315	251,390

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

No provision has been made for Hong Kong Profits Tax as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the Relevant Period.

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

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

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

	Continuing operations			Discontinued operations			Total		
	Years ended 31 December			Years ended 31 December			Years ended 31 December		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Profit/(loss) before taxation	298,408	561,318	1,180,153	(35,587)	24,252	-	262,821	585,570	1,180,153
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits/ (losses) in the countries concerned	5,953	57,992	226,014	(2,251)	1,073	-	3,702	59,065	226,014
Tax effect of non-deductible expenses/(non-taxable income)	512	4,563	945	1,542	(1,125)	-	2,054	3,438	945
Tax effect of deferred tax assets on unrealised profits	(19,162)	7,812	12,705	-	-	-	(19,162)	7,812	12,705
Tax effect of unused tax losses not recognised	770	-	11,726	2,277	-	-	3,047	-	11,726
Actual tax expense	(11,927)	70,367	251,390	1,568	(52)	-	(10,359)	70,315	251,390

8 EARNING PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share during the years ended 31 December 2008, 2009 and 2010 is based on the profit attributable to ordinary equity shareholders of the Company of $274,228,000, $515,254,805 and \$872,374,000 and 2,060,606,060 shares in issue as if the shares had been outstanding throughout the years ended 31 December 2008 and 2009 and the weighted average of 2,480,152,375 ordinary shares in issue during the year ended 31 December 2010 respectively.

Since the impact on earnings of conversion of redeemable convertible preferred shares to ordinary shares is greater than that on the weighted average number of ordinary shares during the year ended 31 December 2010, they are treated as anti-dilutive in the year. As a result, the calculation of diluted earnings per share does not assume conversion of redeemable convertible preferred shares during the year ended 31 December 2010.

The basic earning/(loss) per share is calculated as follows:

(i) Profit/(loss) attributable to ordinary equity shareholders of the Company (basic)

	Continuing operations			Discontinued operations			Total		
	Years ended 31 December			Years ended 31 December			Years ended 31 December		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Profit/(loss) attributable to equity shareholders of the Company	311,383	490,951	928,826	(37,155)	24,304	-	274,228	515,255	928,826
Profit attributable to the holder of redeemable convertible preferred shares	-	-	(56,092)	-	-	-	-	-	(56,092)
Profit/(loss) attributable to ordinary equity shareholders of the Company (basic)	311,383	490,951	872,734	(37,155)	24,304	-	274,228	515,255	872,734

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

	Year ended 31 December 2010
	'000
Issued ordinary shares at 1 January	2,060,606
Effect of issues of ordinary shares under the public offering	222,411
Effect of conversion of redeemable convertible preferred shares	97,634
Effect of conversion of convertible bonds	94,786
Effect of conversion of payable in connection with acquisition of the jointly controlled entity	4,715
Weighted average number of ordinary shares (basic) as at 31 December	2,480,152

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the years ended 31 December 2008 and 2009. The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the company of $922,676,000 and the weighted average of 2,665,520,781 ordinary shares in issue during the year, calculated as follows:

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

	Year ended 31 December 2010
	$'000
Profit attributable to ordinary equity shareholders of the Company	872,734
After tax effect interest expense on liability component of convertible bonds	49,942
Profit attributable to ordinary equity shareholders of the Company (diluted)	922,676

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

	Year ended 31 December 2010
	'000
Weighted average number of ordinary shares as at 1 January	2,480,152
Effect of deemed issue of shares under the Company's share option scheme for Nil consideration (note 26)	15,390
Effect of conversion of convertible bonds	169,979
Weighted average number of ordinary shares (diluted) as at 31 December	2,665,521

9 SEGMENT REPORTING

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

- Processing and trading of coking coals: this segment constructs, manages and operates coal processing plants and generates income from trading of coking coals to external customers within the PRC.
- Coal mining: this segment acquires, explores and develops coal mining. The Group acquired the equity interest in a jointly controlled entity operating in the coal mining segment (Note 15) and commenced its business in this segment during the year ended 31 December 2010.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets. Segment liabilities include trade and other payables, deferred income and bank and other borrowings.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Relevant Period is set out below.

	Continuing operations								
	Processing and trading of coking coals			Coal mining			Total		
	Years ended 31 December			Years ended 31 December			Years ended 31 December		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Reportable segment revenue	1,113,858	5,283,216	9,271,665	-	-	-	1,113,858	5,283,216	9,271,665
Reportable segment profit (adjusted EBITDA)	314,260	650,774	1,360,941	-	-	(8,080)	314,260	650,774	1,352,861
Interest income	1,013	7,041	18,768	-	-	-	1,013	7,041	18,768
Interest expense	(3,734)	(40,696)	(179,928)	-	-	-	(3,734)	(40,696)	(179,928)
Depreciation and amortisation for the year	(17,141)	(54,463)	(58,605)	-	-	-	(17,141)	(54,463)	(58,605)
Reportable segment assets	1,555,916	4,463,978	8,711,802	-	-	362,956	1,555,916	4,463,978	9,074,758
Additions to non-current segment assets during the year	242,740	131,419	536,418	-	-	362,956	242,740	131,419	899,374
Reportable segment liabilities	978,751	3,318,494	2,487,443	-	-	-	978,751	3,318,494	2,487,443

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

	Years ended 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Revenue			
Reportable segment revenue	1,113,858	5,283,216	9,271,665
Consolidated turnover	1,113,858	5,283,216	9,271,665
Profit			
Reportable segment profit	314,260	650,774	1,352,861
Depreciation and amortization	(17,141)	(54,463)	(58,605)
Net finance income/(costs)	1,289	(34,993)	(114,103)
Consolidated profit before taxation	298,408	561,318	1,180,153

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Assets			
Reportable segment assets	1,555,916	4,463,978	9,074,758
Deferred tax assets	42,166	34,334	48,262
Consolidated total assets	1,598,082	4,498,312	9,123,020
Liabilities			
Reportable segment liabilities	978,751	3,318,494	2,487,443
Deferred tax liabilities	2,148	-	-
Current tax liabilities	10,739	35,709	90,708
Consolidated total liabilities	991,638	3,354,203	2,578,151

(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 interests in a jointly controlled entity.

	Revenues from external customers			Specified non-current assets		
	Years ended 31 December			At 31 December		
	2008	2009	2010	2008	2009	2010
	$'000	$'000	$'000	$'000	$'000	$'000
The PRC (including Hong Kong and Macau)	1,113,858	5,283,216	9,165,694	278,680	432,878	1,045,097
Mongolia	-	-	3,208	103,364	80,493	363,307
Other countries	-	-	102,763	-	92	4,433
	1,113,858	5,283,216	9,271,665	382,044	513,463	1,412,837

10 OTHER COMPREHENSIVE INCOME

Other comprehensive income does not have any tax effect for the years ended 31 December 2008, 2009 and 2010.

11 PROPERTY, PLANT AND EQUIPMENT, NET

	Buildings	Plant and machinery	Motor vehicles	Office and other equipment	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cost:					
At 1 January 2008	40,399	32,241	21,433	1,538	95,611
Additions	6,103	20,775	172,213	6,398	205,489
Transferred from construction in progress (Note 12)	56,316	645	5,023	4,376	66,360
Disposals	-	-	(8,292)	-	(8,292)
Exchange adjustments	3,191	2,226	3,187	197	8,801
At 31 December 2008	106,009	55,887	193,564	12,509	367,969
At 1 January 2009	106,009	55,887	193,564	12,509	367,969
Additions	470	3,635	32,934	3,924	40,963
Transferred from construction in progress (Note 12)	95,442	61,607	-	864	157,913
Disposals	-	-	(7,049)	-	(7,049)
Disposals of subsidiaries (Note 34)	(465)	(19,368)	(15,028)	(1,141)	(36,002)
Exchange adjustments	244	111	256	39	650
At 31 December 2009	201,700	101,872	204,677	16,195	524,444
At 1 January 2010	201,700	101,872	204,677	16,195	524,444
Additions	17,216	19,532	44,385	15,078	96,211
Transferred from construction in progress (Note 12)	83,461	11,747	-	-	95,208
Disposals	(6,269)	-	(182,501)	(39)	(188,809)
Exchange adjustments	3,011	4,851	2,511	1,234	11,607
At 31 December 2010	**299,119**	**138,002**	**69,072**	**32,468**	**538,661**
Accumulated depreciation and impairment:					
At 1 January 2008	120	3,119	7,821	230	11,290
Charge for the year	2,074	6,325	17,621	789	26,809
Written back on disposals	-	-	(4,262)	-	(4,262)
Impairment loss	5,398	-	-	-	5,398
Exchange adjustments	92	116	621	17	846
At 31 December 2008	7,684	9,560	21,801	1,036	40,081
At 1 January 2009	7,684	9,560	21,801	1,036	40,081
Charge for the year	6,484	7,298	40,405	2,585	56,772
Written back on disposals	-	-	(2,287)	-	(2,287)
Disposals of subsidiaries (Note 34)	(61)	(8,815)	(7,819)	(511)	(17,206)
Exchange adjustments	18	8	46	4	76
At 31 December 2009	14,125	8,051	52,146	3,114	77,436
At 1 January 2010	14,125	8,051	52,146	3,114	77,436
Charge for the year	7,045	9,235	33,910	5,939	56,129
Written back on disposals	(1,013)	-	(69,960)	(2)	(70,975)
Exchange adjustments	659	584	674	227	2,144
At 31 December 2010	**20,816**	**17,870**	**16,770**	**9,278**	**64,734**
Net book value:					
At 31 December 2008	98,325	46,327	171,763	11,473	327,888
At 31 December 2009	187,575	93,821	152,531	13,081	447,008
At 31 December 2010	**278,303**	**120,132**	**52,302**	**23,190**	**473,927**

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

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
The PRC (including Hong Kong and Macau)	224,524	366,423	469,143
Mongolia	103,364	80,493	351
Others	-	92	4,433
Aggregate net book value	327,888	447,008	473,927

At 31 December 2009, the Group's buildings with a carrying amount of $40,069,037 were pledged as collateral for a third party's borrowings. Such pledge has been released during the year ended 31 December 2010.

At 31 December 2010, the Group's motor vehicles with a carrying amount of $3,579,887 were pledged as collateral for the Group's borrowings.

At 31 December 2008, 2009 and 2010, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to $48,199,201, $61,849,510 and $42,210,246. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use of the above mentioned buildings.

12 CONSTRUCTION IN PROGRESS

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
At 1 January	564	14,681	41,204
Additions	80,282	184,393	327,157
Transferred to property, plant and equipment (Note 11)	(66,360)	(157,913)	(95,208)
Exchange adjustments	195	43	8,726
At 31 December	14,681	41,204	281,879

13 LEASE PREPAYMENTS

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

	At 31 December		
	2008	**2009**	**2010**
	$'000	**$'000**	**$'000**
Cost:			
At 1 January	8,503	9,028	9,042
Additions	-	-	192,704
Exchange adjustments	525	14	5,606
At 31 December	9,028	9,042	207,352
Accumulated amortisation:			
At 1 January	89	173	220
Charge for the year	78	47	2,390
Exchange adjustments	6	-	(42)
At 31 December	173	220	2,568
Net book value:			
At 31 December	8,855	8,822	204,784

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 2010, land use rights with a total carrying amount of $55,245,106 were pledged as collateral for the Group's borrowings.

At 31 December 2009, land use rights with a total carrying amount of $1,142,530 were pledged as collateral for a third party's borrowings. Such pledge has been released during the year ended 31 December 2010.

14 INTANGIBLE ASSETS

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Cost:			
At 1 January	4,552	4,834	1,347
Addition	-	-	240
Disposals of subsidiaries	-	(3,492)	-
Exchange adjustments	282	5	61
At 31 December	4,834	1,347	1,648
Accumulated amortisation:			
At 1 January	2,360	4,117	1,272
Charge for the year	1,593	642	86
Disposals of subsidiaries	-	(3,492)	-
Exchange adjustments	164	5	53
At 31 December	4,117	1,272	1,411
Net book value:			
At 31 December	717	75	237

Cost of intangible assets mainly represents software and the cost of coal business licences in the PRC.

15 INTEREST IN JOINTLY CONTROLLED ENTITY

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Share of net assets	-	-	319,767
Goodwill	-	-	43,189
	-	-	362,956

On 29 June 2010, the Group acquired 50% equity interest in Peabody-Winsway Resources B.V. from a third party for a consideration together with other directly attributable costs amounting to US$46,248,336.

Details of the Group's interest in the jointly controlled entity are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Issued and fully paid up capital	Group's effective interest	Principal activities
Peabody-Winsway Resources B.V. ("Peabody-Winsway")	Incorporated	The Kingdom of the Netherlands	Euro36,000	50%	Acquisition, sale, exploration, development, mining, processing and commercial exploitation of mineral and metal resources

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

	At 31 December 2010
	$'000
Non-current assets	352,543
Current assets	5,852
Non-current liabilities	(37,975)
Current liabilities	(653)
Net assets	319,767
Income	164
Expenses	(8,244)
Profit for the year	(8,080)

Goodwill represents the excess of the cost of purchase over the fair value of the underlying assets and liabilities. The recoverable amount of interest in Peabody-Winsway is determined based on value-in-use calculation. The calculation uses cash flow projections based on profit forecast approved by management covering a 30-years period and pre-tax discount rate of 21.62%. Management believes any reasonably possible change in the key assumptions on which the entity's recoverable amount is based would not cause the entity's carrying amount to exceed its recoverable amount.

16 OTHER INVESTMENT IN EQUITY SECURITIES

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Unlisted, equity securities, at cost	-	16,354	89,054

17 RECEIVABLES UNDER FINANCE LEASE

The gross investment and present value of receivables relating to future minimum lease payments under non-cancellable finance lease agreement or arrangement accounted for as finance lease are as follows:

	At 31 December					
	2008		2009		2010	
	Present value of the minimum lease payment	Gross investment	Present value of the minimum lease payment	Gross investment	Present value of the minimum lease payment	Gross investment
	$'000	$'000	$'000	$'000	$'000	$'000
Within 1 year	30,029	32,270	-	-	-	-
After 1 year but within 2 years	29,903	30,282	-	-	-	-
	59,932	62,552	-	-	-	-
Less: total future interest income		(2,620)		-		-
Present value of lease receivables		59,932		-		-

The interest rate charged on the leases is fixed at inception for the duration of the lease term which was approximately three years. The weighted average interest rate on lease receivables for the year ended 31 December 2008 was 6.75% per annum.

18 INVENTORIES

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

	At 31 December		
	2008	**2009**	**2010**
	$'000	**$'000**	**$'000**
Raw coking coals	192,899	553,142	951,015
Cleaned coking coals	133,361	252,230	558,340
Hard coals	-	323,695	314,461
Low value consumables	2,611	1,405	1,611
Others	36,537	59,947	147,130
	365,408	1,190,419	1,972,557

At 31 December 2008, 2009 and 2010, coking coals of the Group with an aggregate carrying value of $186,240,807, $303,926,434 and $182,707,200 were pledged as collateral for the Group's borrowings (Note 22) and banking facilities in respect of issuance of letters of credit by the Group, respectively.

At 31 December 2009, coking coals of the Group with an aggregate carrying value of $92,172,276 were pledged as collateral for a third party's borrowings. Such pledge has been released during the year ended 31 December 2010.

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

	Continuing operations		
	Years ended 31 December		
	2008	**2009**	**2010**
	$'000	**$'000**	**$'000**
Carrying amount of inventories sold	618,837	4,322,158	7,154,115
Written down of inventories	949	-	-
	619,786	4,322,158	7,154,115

19 TRADE AND OTHER RECEIVABLES

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Trade receivables	174,130	518,984	800,904
Bills receivable	22,766	82,906	283,670
Receivables from import agents	-	901,129	380,264
Amounts due from related parties	30,572	136,317	1,222
Amounts due from subsidiary companies	-	-	-
Advance payments to suppliers	36,690	144,886	432,561
Receivables for disposal of discontinued operations	28,010	-	-
Loan to a third party company	-	-	311,328
Deposits and other receivables	37,153	56,038	240,932
	329,321	1,840,260	2,450,881

All of the trade and other receivables are expected to be recovered within one year.

The credit terms for trade debtors are generally within 90 days. Bills receivable are normally due within 90 days to 180 days from the date of issuing. Further details on the Group's credit policy are set out in Note 30(a).

At 31 December 2008, 2009 and 2010, trade and bills receivable of the Group of $Nil, $321,998,689 and $575,549,644 were pledged as collateral for the Group's borrowings (Note 22).

At 31 December 2008, 2009 and 2010, bills receivable of the Group of $Nil, $Nil and $791,301,472 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

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

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Current	173,903	1,419,886	1,181,168
More than 3 months past due	227	227	-
	174,130	1,420,113	1,181,168

(b) Impairment of trade and other receivables

No allowance of impairment loss was recorded in respect of trade and other receivables for the years ended 31 December 2008, 2009 and 2010.

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. The Group does not hold any collateral over these balances.

20 RESTRICTED BANK DEPOSITS

The Group pledged bank deposits of maturity more than three months of $336,697,918, $642,535,903 and $344,061,889 as at 31 December 2008, 2009 and 2010 as collateral for the Group's borrowings (Note 22) and banking facilities in respect of issuance of bills (Note 27) and letters of credit by the Group.

21 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Cash at bank and in hand	112,416	277,300	2,894,421

At 31 December 2008, 2009 and 2010, cash and cash equivalents of $98,814,790, $201,705,999 and $325,620,027 respectively 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:

	At 31 December		
	$'000	$'000	$'000
United States dollars	60	888	1,130
RMB	-	-	2,444,777

22 SECURED BANK AND OTHER LOANS

(a) The secured bank and other loans comprise:

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Short-term loans	679,249	1,589,466	1,010,109
Long-term loans	-	-	62,577
	679,249	1,589,466	1,072,686

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

	At 31 December		
	2008	**2009**	**2010**
	$'000	**$'000**	**$'000**
Short-term loans	3.90%-8.35%	0.90%-6.78%	1.42%-7.23%
Long-term loans	-	-	7.46%

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

	At 31 December		
	2008	**2009**	**2010**
	$'000	**$'000**	**$'000**
Within 1 year	679,249	1,589,466	1,010,109
After 2 years but within 5 years	-	-	62,577
	679,249	1,589,466	1,072,686

At 31 December 2008, 2009 and 2010, bank and other loans amounting to $331,309,061, $808,447,990 and $435,394,838 were secured by bank deposits placed in banks with an aggregate carrying value of $336,697,918, $642,535,903 and $261,616,015 respectively.

At 31 December 2008, 2009 and 2010, bank and other loans amounting to $347,940,074, $459,020,419 and $219,964,410 were secured by coking coals inventories of the Group with an aggregate carrying value of $186,240,807, $303,926,434 and $182,707,200 respectively.

At 31 December 2008, 2009 and 2010, bank and other loans amounting to $Nil, $321,997,689 and $533,567,004 were secured by pledged trade and bills receivables with an aggregate carrying value of $Nil, $321,997,689 and $575,549,644 respectively.

At 31 December 2010, bank and other loans amounting to $1,888,175 were secured by motor vehicles with an aggregate carrying value of $3,579,887.

At 31 December 2010, bank and other loans amounting to $23,614,000 were secured by land use right with an aggregate carrying value of $55,245,106.

At 31 December 2009, bank facilities utilised by the Group of $625,730,979 were guaranteed by the controlling shareholder Mr. Wang Xing Chun and related parties of the Group which are under common control of Mr. Wang Xing Chun. Such guarantees have been released during the year ended 31 December 2010.

Further details of the Group's management of liquidity risk are set out in Note 30(b).

23 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.

24 CONVERTIBLE BONDS

The Company has issued convertible bonds which have been fully converted during the year ended 31 December 2010, details of which are summarised as follows:

	$'000
At 1 January 2010	-
Initial recognition of liability component of convertible bonds	427,686
Interest charged during the year	49,942
Exchange adjustments	54
Interest paid to Bondholders	(6,744)
Conversion	(470,938)
At 31 December 2010	-

On 30 March 2010, the Company entered into a Subscription Agreement ("the First Agreement") with Coppermine Resources Limited and Silver Grant International Industries Ltd. ("Coppermine Resources & Silver Grant") in respect of the issue of US$ 50,000,000 (US$ 25,000,000 each) convertible bonds (the "First Convertible Bond"). The First Convertible Bond bears interest from the date of issue at the rate of 3.5% per annum and is payable in arrears on the date falling six months after the date of issue and on a date falling every six months thereafter. The maturity date of the First Convertible Bond is 30 March 2013.

On 22 April 2010, the Company entered into a Subscription Agreement ("the Second Agreement") with ITOCHU Corporation ("ITOCHU") in respect of the issue of US$ 10,000,000 convertible bonds (the "Second Convertible Bond"). The Second Convertible Bond bears interest from the date of issue at the rate of 3% per annum and is payable in arrears on the date falling six months after the date of issue and on a date falling every six months thereafter. The maturity date of the Second Convertible Bond is 22 April 2013.

Subject to the completion of the initial public offering of the Company under the First Agreement and the Second Agreement and the exercise of conversion right by Coppermine Resources & Silver Grant and ITOCHU (the "Bondholders"), the First Convertible Bond and the Second Convertible Bond are entitled to conversion into the Company's ordinary shares equivalent to 303,030,304 shares and 50,000,250 shares in form of allotment and issue of ordinary shares by the Company to Coppermine Resources & Silver Grant and ITOCHU respectively. The First Convertible Bond and the Second Convertible Bond (the "Convertible Bonds") can only be converted in whole not in part.

The Convertible Bonds are redeemable by the Bondholders at a price equal to the sum of: (a) the aggregate of all principal amounts and interest accrued outstanding of Convertible Bonds, and (b) an additional amount for receiving a 25% internal rate of return per annum on such principal amount up to the date of actual payment within 30 months after the date of the First Agreement and the Second Agreement, respectively, if the initial public offering is not completed within 24 months after the date of the First Agreement and the Second Agreement (c) an additional amount for receiving a 15% internal rate of return per annum on such principal amount up to the date of actual payment if the initial public offering of the Company is completed while the Bondholders do not exercise the conversion right.

The Convertible Bonds contain liability and equity components. On the issue of the Convertible Bonds, the fair value of the liability component was valued by the directors with reference to a valuation report issued by Sallmanns using discounted cash flows method. The 25% internal rate of return per annum has been incorporated into the valuation of the liability component of the Convertible Bonds. The residual amount, representing the equity component, is included in other reserve. The liability component is subsequently carried at amortised cost using the effective interest method until extinguished on conversion or redemption.

Upon the conversion of the Convertible Bonds into the Company's ordinary shares on 24 September 2010, the other reserve, amounting to $18,216,000, together with the carrying amount of the liability for the convertible bonds at the time of conversion, amounting to $470,938,000, were transferred to share capital as consideration for the ordinary shares issued.

25 REDEEMABLE CONVERTIBLE PREFERRED SHARES

The Company has issued redeemable convertible preferred shares which have been fully converted during the year ended 31 December 2010, details of which are summarised as follows:

	$'000
At 1 January 2010	-
Initial recognition of liability component of redeemable convertible preferred shares	425,306
Interest charged during the year	50,683
Exchange adjustments	52
Interest paid to holder of RCPS	(6,975)
Conversion	(469,066)
At 31 December 2010	-

On 30 March 2010, the Company issued 363,636,364 redeemable convertible preferred shares ("RCPS") to Winstar Capital Group Limited ("Winstar"), for a cash consideration of US$ 60,000,000 (equivalent to US$ 0.165 per RCPS) according to the subscription agreement for RCPS (the "RCPS Subscription Agreement").

The RCPS is entitled to a preferred dividend from the date of issue at the rate of 3.5% per annum and is payable in arrears on the date falling six months after the date of issue and on a date falling every six months thereafter. Dividends on redeemable convertible preferred shares are included in interest expense (Note 6(a)).

The RCPS is convertible into ordinary shares of the Company at the option of the holders of RCPS at any time before the maturity date of 30 March 2013 without the payment of any additional consideration. The RCPS is also automatically converted upon the completion of the initial public offering of the Company under the RCPS Subscription Agreement. The conversion basis is one preferred share to one ordinary share of the Company. The RCPS can only be converted in whole not in part.

Except for certain matter, the holder of the RCPS has the right to one vote for each RCPS and one vote for every ordinary share of the Company in which the RCPS is converted. The holder of the RCPS has the right to receive a dividend whenever the holders of ordinary shares of the Company receive a dividend.

The RCPS is redeemable at the option of the holder of RCPS before the date of completion of the initial public offering and at a price equal to the sum of: (a) the aggregate of all amounts outstanding including accrued but unpaid dividends of RCPS and (b) an additional amount for receiving a 25% internal rate of return per annum on such principal amount up to the date of actual payment within 30 months after the date of RCPS Subscription Agreement, if certain condition precedent could not be fulfilled within 24 months after the date of the RCPS Subscription Agreement.

The RCPS contain liability and equity components. On the issue of the RCPS, the fair value of the liability component was valued by the directors with reference to a valuation report issued by Sallmanns using discounted cash flows method. The 25% internal rate of return per annum has been incorporated into the valuation of the liability component of the RCPS. The residual amount, representing the equity component, is included in other reserve. The liability component is subsequently carried at amortised cost using the effective interest method until extinguished on conversion or redemption.

Upon the conversion of the RCPS into the Company's ordinary shares on 24 September 2010, the other reserve, amounting to $16,794,000, together with the carrying amount of the liability for the RCPS at the time of conversion, amounting to $469,066,000, were transferred to share capital as consideration for the ordinary shares issued.

26 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 30 June 2015 (a period of five years from the Adoption Date of 30 June 2010) at a fixed subscription price. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(i) The number of options granted to directors and management for the year ended 31 December 2010 are 52,093,000 and 55,852,000 respectively, whereby all options are settled by physical delivery of shares.

(ii) The number and weighted average exercise prices of share options are as follows:

	Year ended 31 December 2010	
	Weighted average exercise price	**Number of options**
Outstanding at 1 January	-	-
Granted during the year	$1.677	107,945,000
Outstanding at 31 December	$1.677	107,945,000
Exercisable at 31 December	-	-

The options outstanding at 31 December 2010 had an exercise price of $ 1.677 per share and a weighted average remaining contractual life of 4.5 years.

(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 $71,159,307 during year ended 31 December 2010 was recognised in profit or loss.

27 TRADE AND OTHER PAYABLES

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Trade and bills payables	175,553	549,445	748,313
Payables to import agents	-	966,269	362,258
Amounts due to related parties	17,197	-	-
Advances from customers	56,704	59,698	33,167
Payables in connection with construction projects	10,411	22,440	12,770
Payables for purchase of equipment	18,726	40,099	12,817
Others	20,911	91,077	148,043
	299,502	1,729,028	1,317,368

At 31 December 2010, bills payable amounting to $222,423,806 was secured by bank deposits placed in a bank with an aggregate carrying value of $42,453,721.

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

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Due within 1 month or on demand	38,450	1,229,474	888,147
Due after 1 month but within 3 months	137,103	286,240	-
Due after 3 months but within 6 months	-	-	222,424
	175,553	1,515,714	1,110,571

28 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
At 1 January	22,605	10,739	35,709
Provision for the year (Note 7(a))	8,521	62,475	263,971
Income tax paid	(21,635)	(39,320)	(211,275)
Disposal of discontinued operations	-	1,778	-
Exchange adjustments	1,248	37	2,303
At 31 December	10,739	35,709	90,708

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the Relevant Period are as follows:

	Property, plant and equipment	Government grants	Unrealized profits on intra-group transactions	Total
	$'000	$'000	$'000	$'000
Deferred tax arising from:				
At 1 January 2008	(2,765)	19,430	3,040	19,705
Credited/(charged) to income statement	779	(1,061)	19,162	18,880
Exchange adjustments	(162)	1,190	405	1,433
At 31 December 2008	(2,148)	19,559	22,607	40,018
At 1 January 2009	(2,148)	19,559	22,607	40,018
Credited/(charged) to income statement	52	(80)	(7,812)	(7,840)
Disposal of discontinued operations (Note 34)	2,099	-	-	2,099
Exchange adjustments	(3)	30	30	57
At 31 December 2009	-	19,509	14,825	34,334
At 1 January 2010	-	19,509	14,825	34,334
Credited/(charged) to income statement	-	(124)	12,705	12,581
Exchange adjustments	-	414	933	1,347
At 31 December 2010	-	19,799	28,463	48,262

(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 $27,630,875, $938,838 and $47,844,877 as at 31 December 2008, 2009 and 2010, respectively 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 will expire in five years after the tax losses generated 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 $1,482,765, $16,884,577 and $83,067,914 as at 31 December 2008, 2009 and 2010, respectively.

29 CAPITAL, RESERVES AND DIVIDENDS

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

(a) Dividends

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

	Years ended 31 December		
	2008	**2009**	**2010**
	$'000	**$'000**	**$'000**
Interim dividend declared and paid	77,218	-	243,703
Final dividends proposed after the end of the reporting period	-	-	231,084

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends on the RCPS and interest on Convertible Bonds

Dividends of RMB 43,901,331 (equivalent to HK$50,277,109) on the RCPS and interest of RMB 42,614,571 (equivalent to HK$48,783,131) on the Convertible Bonds were declared on 16 September 2010, out of these amounts, HK$13,718,852 has been charged to the profit or loss as part of finance costs in relation to the liability portion.

(b) Share capital

	Years ended 31 December		
	2008	2009	2010
	No. of Shares	No. of shares	No. of shares
	'000	'000	'000
Authorised:			
Ordinary shares	2,000,000	2,000,000	4,000,000
Preferred shares	-	-	500,000

	Years ended 31 December					
	2008		2009		2010	
	No. of shares		No. of shares		No. of shares	
	'000	$'000	'000	$'000	'000	$'000
Ordinary shares, issued and fully paid:						
At 1 January	0.003	297,859	2,000,000	383,522	2,000,000	383,522
Shares issued before public offering	1,999,999.997	85,663	-	-	60,606	78,003
Conversion of convertible bond	-	-	-	-	353,031	489,154
Conversion of redeemable convertible preferred shares	-	-	-	-	363,636	485,860
Conversion of payable in connection with acquisition of the jointly controlled entity	-	-	-	-	20,988	77,594
Shares issued under public offering	-	-	-	-	990,000	3,500,206
At 31 December	2,000,000	383,522	2,000,000	383,522	3,788,261	5,014,339

The Company was incorporated on 17 September 2007 with an authorised capital of 50,000 ordinary shares. On the same date, one share was issued at a consideration of US$ 1. On 31 December 2007, the Company issued two additional shares at an aggregate consideration of US$ 38,182,611. On 31 March 2008, the Company issued one additional share at a consideration of US$ 5,200,000. On 30 April 2008, the Company issued one additional share at a consideration of US$ 5,800,000. On 15 July 2008, the Company increased its authorised share capital from 50,000 to 2,000,000,000 ordinary shares. On 15 July 2008, the Company issued 1,999,999,995 additional shares at a consideration of US$ 3. On 18 April 2010, the Company increased its authorised share capital from 2,000,000,000 to 4,000,000,000 ordinary shares and approved the creation of 500,000,000 preferred shares. On 18 April 2010, the Company issued and allotted 363,636,364 redeemable preferred shares to Winstar Capital Group Limited for a consideration of US$ 60,000,000. On 18 May 2010, the Company issued 60,606,060 additional shares at an aggregate consideration of US$ 10,000,000.

On 24 September 2010, the following share transactions were completed:

- The Company's convertible bonds were converted into the Company's ordinary shares (see Note 24);
- The Company's redeemable convertible preferred shares were converted into the Company's ordinary shares (see Note 25);
- The Company's payable in connection with acquisition of a jointly controlled entity was settled in form of the Company's ordinary shares (see Note 15); and

• The Company issued 990,000,000 ordinary shares at a price of $3.7 per share by way of public offering of the Company's ordinary shares to Hong Kong and overseas investors. The Company raised approximately $3,500,206,000 in total net of share issuing expenses.

(c) 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 gain on partial disposal of 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).

(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 years ended 31 December 2008, 2009 and 2010, amounts in retained earnings of $1,731,000, $15,458,829 and $85,456,059 were transferred from retained earnings to statutory reserve.

Statutory reserve can be utilised in setting off accumulated losses or increasing capital of the companies comprising the Group is non-distributable other than in liquidation.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which are dealt with in accordance with the accounting policies as set out in Note 2(w).

(iv) Distributability of reserves

At 31 December 2008, 2009 and 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $377,012,000, $557,524,109 and $4,943,508,000, respectively. After the end of the reporting period of 31 December 2010, the directors proposed a final dividend of 6.1 cents per ordinary share, amounting to $231,084,000 (Note 29(a)). This dividend has not been recognised as a liability at the end of the reporting period.

(d) 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 its capital structure on the basis of a net debt-to-equity ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, less unaccrued proposed dividends.

At 31 December 2008, 2009 and 2010, the net debt-to-equity ratio was 37.9%, 58.5% and 0%, respectively. In order to maintain or adjust the ratio, the group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and foreign currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to 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.

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 31 December 2008, 2009 and 2010, 53%, 5% and 1% of the trade and other receivables were due from the Group's largest customer and 56%, 11% and 16% of the trade and other receivables were due from the Group's five largest customers respectively within the processing and trading of coking coals segment.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. Except for the financial guarantees, given by the Group as set out in Note 33, 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 33.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 19.

(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 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 can be required to pay:

The Group

											At 31 December
	2008 Contractual undiscounted cash outflow			2009 Contractual undiscounted cash outflow			2010 Contractual undiscounted cash outflow				
	Within 1 Year or on demand	Total	Carrying amount at 31 December	Within 1 Year or on Demand	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	$'000
Secured bank and other loans	696,436	696,436	679,249	1,600,324	1,600,324	1,589,466	1,020,920	-	80,300	1,101,220	1,072,686
Trade and other payables (excluding advance from customers)	242,798	242,798	242,798	1,669,330	1,669,330	1,669,330	1,284,201	-	-	1,284,201	1,284,201
	939,234	939,234	922,047	3,269,654	3,269,654	3,258,796	2,305,121	-	80,300	2,385,421	2,356,887
Financial guarantees issued: Maximum amount guaranteed (Note 33)	694,454	694,454	-	1,367,991	1,367,991	-	-	-	-	-	-

(c) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to payables, cash balances and bank loans that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of other trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Most of the Group's borrowings are denominated in the functional currency of the entity taking out the loan or, in the case of group entities whose functional currency is Hong Kong dollars, in either Hong Kong dollars or United States dollars. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(ii) Exposure to currency risk

The following table details the Group'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.

	Exposure to foreign currency (expressed in HK$) At 31 December			
	2008	**2009**		**2010**
	United states dollars	**United states dollars**	**United states dollars**	**RMB**
	$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	60	888	1,130	2,444,777
Trade receivables	-	-	7,700	-
Trade payables	(2,920)	(335,107)	(126,067)	-
Bills payable	-	-	(109,175)	-
Bank loans	(415,328)	(534,900)	(177,249)	-
Net exposure arising from recognised assets and liabilities	(418,188)	(869,119)	(403,661)	2,444,777

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise if foreign exchange rate to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	At 31 December					
	2008		**2009**		**2010**	
	Increase/ (decrease) in foreign exchange rate	**Effect on profit after tax and retained earnings**	**Increase/ (decrease) in foreign exchange rate**	**Effect on profit after tax and retained earnings**	**Increase/ (decrease) in foreign exchange rate**	**Effect on profit after tax and retained earnings**
		$'000		**$'000**		**$'000**
United States dollars	5%	(15,682)	5%	(32,592)	5%	(15,137)
	(5)%	15,682	(5)%	32,592	(5)%	15,137
RMB	5%	-	5%	-	5%	119,708
	(5)%	-	(5)%	-	(5)%	(119,708)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including intercompany payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

(d) Fair values

In respect of cash and cash equivalents, pledged bank deposits, trade and other receivables, and trade and other payables, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

In respect of bank and other loans and the liability component in respect of the convertible bonds and the redeemable convertible preferred shares, the carrying amounts are not materially different from their fair values as at 31 December 2008, 2009 and 2010. The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The fair value of the convertible bonds and the redeemable convertible preferred shares are measured using discounted cash flows method in which all significant inputs are directly or indirectly based on observable market data.

31 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the Relevant Period.

(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, is as follows:

	Years ended 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Short-term employee benefits	2,521	3,975	33,797
Equity compensation benefits	-	-	62,280

The remuneration is included in "staff costs" (see Note 6(b)).

(b) Material related party transactions

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

	Years ended 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Sale of coking coals to related parties	-	393,047	-
Sales of construction equipment to related parties	-	-	4,430
Purchase of agency service from related party	-	11,397	1,465
Rental expense for lease of properties from related parties	-	-	2,160
Net (repayments of advances from) /advances from related parties	(31,831)	15,920	-
Net (repayments of advances to) /advances to related parties	(136,314)	30,596	-
Sale of discontinued operations to related parties	-	43,102	-

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.

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

	Years ended 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Amounts due from related parties	30,572	136,317	1,222
Amounts due to related parties	17,197	-	-

32 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2008, 2009 and 2010 not provided for in the financial statements were as follows:

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Contracted for	14,492	68,153	540,757
Authorised but not contracted for	18,142	607,906	2,252,743
	32,634	676,059	2,793,500

Capital commitments of the Group at 31 December 2008, 2009 and 2010 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 2008, 2009 and 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December		
	2008	**2009**	**2010**
	$'000	**$'000**	**$'000**
Within 1 year	40	2,275	18,548
After 1 year but within 5 years	3	-	24,009
	43	2,275	42,557

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.

33 CONTINGENT LIABILITIES-FINANCIAL GUARANTEES ISSUED

At 31 December 2008, 2009 and 2010, the Group issued certain guarantees to banks in respect of banking facilities granted to certain related parties. The maximum liability of the Group as at 31 December 2008, 2009 and 2010 under these guarantees issued was the outstanding amount of the bank loans and the banking facilities in respect of issuance of letters of credit of $694,453,381, $1,174,354,394 and $Nil, respectively.

At 31 December 2008, 2009 and 2010, the Group issued guarantees to banks in respect of banking facilities granted to third parties. The maximum liability of the Group as at 31 December 2008, 2009 and 2010, under these guarantees issued was the outstanding amount of the bank loans and the banking facilities in respect of issuance of letters of credit of $Nil, $193,636,850 and $Nil, respectively.

At 31 December 2008, 2009 and 2010, the directors do not consider it probable that a claim will be made against the Group under any of the guarantees. During the Relevant Period, the Group has not recognised any deferred income in respect of the guarantees as its fair value cannot be reliably measured using observable market data.

34 DISCONTINUED OPERATIONS

During the years ended 2008 and 2009, the Group has disposed of the following subsidiaries, each of which represent a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business in geographical area of operations. Management committed to plans to sell each of these subsidiaries in the same year of respective disposals. The results of these subsidiaries are presented on the consolidated income statements as discontinued operations. Further details of these disposals are set out below:

- In June 2008, the Group liquidated a subsidiary, Shanxi Dingshun;
- In December 2008, the Group disposed of a subsidiary, Ningbo Beilun, to a third party;
- In March 2009, the Group disposed of a subsidiary, Inner Mongolia Urad Zhongqi Sanhe Energy Development Co., Ltd., to third parties;
- In September 2009, the Group disposed of subsidiaries, Asia Eagle Development Limited, Global Luck International Ltd., MonChallenge Investment Ltd. and Monport LLC, to a related party, Enerstar Investment Limited; and
- In November 2009, the Group disposed of subsidiaries, APR LLC and MonCrown Investment Ltd., to a related company, Enerstar Investment Limited.

Results attributable to discontinued operations for the years ended 31 December 2009 and 2010 are as follows:

	Years ended 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Results of discontinued operations			
Revenue	-	-	-
Expenses	(35,728)	(9,298)	-
Results from operating activities	(35,728)	(9,298)	-
Income tax (Note 7(a))	(1,568)	52	-
Results from operating activities, net of income tax	**(37,296)**	**(9,246)**	**-**
Gain on disposal of discontinued operations, net of income tax	**141**	**33,550**	**-**
Profit for the year from discontinued operations attributable to the equity shareholders of the Company	**(37,155)**	**24,304**	**-**
Cash flows used in discontinued operations			
Net cash from operating activities	(159,054)	225,010	-
Net cash from investing activities	(242,988)	99,576	-
Net cash used in financing activities	447,623	(326,058)	-
	45,581	(1,472)	-

Effect of disposal on the assets and liabilities of the Group:

	At 31 December		
	2008	2009	2010
	$'000	$'000	$'000
Property, plant and equipment (Note 11)	-	18,796	-
Inventories	-	88,819	-
Trade and other receivables and receivables under finance lease	5,770	279,131	-
Cash and cash equivalents	6	7,925	-
Restricted deposits	-	230,025	-
Trade and other payables and income tax payable	(23)	(295,040)	-
Deferred tax liabilities (Note 28(b))	-	(2,099)	-
Bank loans	-	(293,352)	-
	5,753	34,205	-
Non-controlling interests	(224)	-	-
Net assets disposed of	5,529	34,205	-
Total consideration	5,670	67,755	-
Gain on disposal of discontinued operations	141	33,550	-
Consideration received, satisfied in cash	5,670	67,755	-
Cash disposed of	(6)	(7,925)	-
	5,664	59,830	-
Collection of receivables for disposal discontinued operations	-	28,058	-
Net of cash inflow from disposal of discontinued operations	5,664	87,888	-

35 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 are depreciated on a straight-line basis over the estimated useful lives, after taking into the 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.

(ii) Impairment of assets

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

(iii) 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.

(iv) Impairment of interest in a jointly controlled entity

In determining whether an interest in the jointly controlled entity is impaired or the event previously causing impairment no longer exists, the Group has to exercise judgement in the area of impairment of assets relevant to the jointly controlled entity (the "Relevant Assets") and others, particularly in assessing: (1) whether an event has occurred that may affect the value of Relevant Assets or such event affecting the value of Relevant Assets have not been in existence; (2) whether the carrying value of Relevant Assets can be supported by the net present value of future cash flows which are estimated based upon the continued use of the Relevant Assets or derecognising; (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate; and (4) dividend policy of the jointly controlled entity.

36 ULTIMATE CONTROLLING PARTY

At 31 December 2010, 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.

37 SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 December 2010:

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 29(a).

38 COMPARATIVE FIGURES

As a result of the change in presentation currency for the preparation of the financial statements, the comparative information has also been restated to reflect the change in presentation currency to HK$ accordingly.

39 PARTICULARS OF SUBSIDIARIES

At 31 December 2010, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Date and place of incorporation/ establishment	Issued and fully paid up capital	Effective percentage of equity attributable to the Company Direct	Indirect	Principal activities
Lucky Colour Limited ("Lucky Colour")	11 March 2008 British Virgin Islands ("BVI")	United States dollars ("US$") 1	100%	-	Investment holding
Reach Goal Management Ltd.	2 January 2009 BVI	US$21,770,001	100%	-	Investment holding
Winsway Coking Coal (HK) Holdings Limited ("Winsway Coking Coal Holdings (HK)")	23 October 2009 Hong Kong	US$31,312,613	100%	-	Investment holding
Winsway Australia Pty. Ltd. ("Winsway Australia")	9 November 2009 Commonwealth of Australia ("Australia")	Australian dollars ("AUD") 492,994	100%	-	Internal marketing and consulting service
Winsway Coking Coal Logistics Co., Limited ("Winsway Logistics")	22 December 2009 Hong Kong	US$ 100,000	100%	-	Logistics service
Winsway Coking Coal (Macao Commercial Offshore) Limited	2 August 2010 Macau	Macau Pataca ("MOP$") 100,000	100%	-	Internal accounting and document processing
Winsway Resources Holdings Private Limited ("Winsway Singapore")	31 December 2009 The Republic of Singapore ("Singapore")	Singapore dollars ("SGD") 1,000,000	100%	-	Trading of coals
Winsway Mongolian Transportation Pte. Ltd. ("Winsway Mongolian Transportation")	10 May 2010 Singapore	SGD10	90%	-	Investment holding
Beijing Winsway Investment Management Co., Ltd. ("Beijing Winsway")	6 November 1995 The People's Republic of China ("PRC")	US$ 63,500,000	-	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 coals
Urad Zhongqi Yiteng Mining Co., Ltd. ("Yiteng")	7 September 2005 PRC	RMB 210,000,000	-	100%	Processing and trading of coals
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 350,000,000	-	100%	Trading of coals

Name of company	Date and place of incorporation/ establishment	Issued and fully paid up capital	Effective percentage of equity attributable to the Company Direct	Indirect	Principal activities
Erlianhaote Haotong Energy Co., Ltd. ("Erlianhaote Haotong")	18 January 2007 PRC	RMB 95,370,000	-	51%	Trading of coals
Ejina Qi Haotong Energy Co., Ltd. ("Ejinaqi Haotong")	19 May 2008 PRC	RMB 80,000,000	-	100%	Processing and trading of coals
East Wuzhumuqin Qi Haotong Energy Co., Ltd. ("East Wuzhumuqin Qi Haotong")	29 July 2008 PRC	RMB 10,000,000	-	100%	Trading of coals
Baotou-city Haotong Energy Co., Ltd. ("Baotou Haotong")	18 September 2008 PRC	RMB 10,000,000	-	100%	Trading of coals
King Resources Holdings Limited ("King Resources")	2 January 2009 BVI	US$ 1	-	100%	Investment holding
Nantong Haotong Energy Co., Ltd. ("Nantong Haotong")	24 February 2009 PRC	RMB 120,000,000	-	100%	Trading of coals
Yingkou Haotong Mining Co., Ltd. ("Yingkou Haotong")	16 November 2009 PRC	RMB 70,000,000	-	100%	Trading of coals
Manzhouli Haotong Energy Co., Ltd. ("Manzhouli Haotong")	23 December 2009 PRC	RMB 80,000,000	-	100%	Trading of coals
Suifenhe Winsway Resources Co., Ltd. ("Suifenhe Winsway")	24 December 2009 PRC	RMB 10,000,000	-	100%	Trading of coals
Baotou Mandula Winsway Energy Co., Ltd. ("Baotou Mandula")	21 January 2010 PRC	RMB 10,000,000	-	100%	Trading of coals
Ulanqab Haotong Energy Co., Ltd. ("Ulanqab Haotong")	2 March 2010 PRC	RMB 70,000,000	-	100%	Trading of coals
Longkou Winsway Energy Co., Ltd. ("Longkou Winsway")	27 April 2010 PRC	RMB 53,350,346	-	100%	Trading of coals
Ejina Qi Ruyi Winsway Energy Co., Ltd. ("Ejina Qi Winsway")	30 June 2010 PRC	RMB 4,000,000	-	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 coals
Zhoushan Winsway Energy Co., Ltd. ("Zhoushan Winsway")	15 November 2010 PRC	RMB 2,000,000	-	100%	Processing and trading of coals

40 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2010

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to IAS 32,	
Financial instruments: Presentation-Classification of right issues	1 February 2010
IFRIC 19, Extinguishing financial liabilities with equity instruments	1 July 2010
Amendment to IFRS 1,First-time adoption of International Financial Reporting Standards-Limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2010
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
Revised IAS 24, Related party disclosures	1 January 2011
Amendments to IFRIC 14, IAS 19—The limit on a defined benefit asset, minimum funding requirements and their interaction—Prepayments of A minimum funding requirement	1 January 2011
Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards-Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
Amendments to IFRS 7, Financial instruments: Disclosures-Transfers of Financial assets	1 July 2011
Amendments to IAS 12, Income taxes-Deferred tax: Recovery of underlying assets	1 January 2012
IFRS 9, Financial Instruments	1 January 2013

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

PRINCIPAL AND REGISTERED OFFICES OF THE COMPANY

Winsway Coking Coal Holdings Limited

Principal place of business and head office in the PRC
No. 10 Hongdazhonglu
Business Development Area
Beijing, 100176
People's Republic of China

Place of business in Hong Kong
Suite 4602 A, Cheung Kong Center
Central, Hong Kong

Registered Office in the BVI
Akara Bldg.
24 De Castro Street
Road Town
Tortola BVI

TRUSTEE, PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Deutsche Bank Trust Company Americas
60 Wall Street
MSNYC 60-2710
New York, New York 10005
United States of America

LEGAL ADVISERS TO THE COMPANY

as to United States and Hong Kong law

Reed Smith Richards Butler
20th Floor Alexandra House
18 Chater Road
Central, Hong Kong

as to PRC law

King & Wood
40th Floor,
Tower A
Beijing Fortune Plaza
7 Dongsanhuan Zhonglu, Chaoyang District,
Beijing 100020
People's Republic of China

as to BVI law

Maples and Calder
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

as to Singapore Law

Allen & Gledhill LLP
One Marina Boulevard #28-00
Singapore 018989

as to Australia law

McCullough Robertson
Level 11 Central Plaza Two
66 Eagle Street
Brisbane QLD 4000

LEGAL ADVISERS TO THE INITIAL PURCHASERS

as to PRC law

Jun He Law Office
20th Floor
8 Jianguomenbei Avenue
Beijing 100005
People's Republic of China

as to United States law

Davis Polk & Wardwell LLP
c/o 18th Floor
The Hong Kong Club Building
3A Chater Road
Central, Hong Kong

INDEPENDENT AUDITORS

KPMG

8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong