ABLEAUCTIONS COM INC
Form DEF 14A
November 27, 2009

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Check the appropriate box:

Filed by the Registrant x
Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Under Rule 14a-12

ABLEAUCTIONS.COM, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
(1)
(1) Title of each class of securities to which transaction applies: Not applicable
(2) Aggregate number of securities to which transaction applies: Not applicable
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): Not applicable
(4) Proposed maximum aggregate value of transaction: Not applicable
(5) Total fee paid: Not applicable

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: Not applicable

Form, Schedule or Registration Statement No.: Not applicable

Filing Party: Not applicable

Date Filed: Not applicable

ABLEAUCTIONS.COM, INC.
Suite 454 - 4111 Hastings Street
Burnaby BC V5C 6T7 Canada
Tel: (604) 293-3933
Fax: (604) 293-3934

November 27, 2009

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To our shareholders:

The annual meeting of the shareholders of Ableauctions.com, Inc. will be held on December 30, 2009, at 10:30 a.m. local time, at the offices of Broughton Law Corporation, Suite 700, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X1S8 for the following purposes (each item numbered below, a "Proposal"):

1. Approval of a plan of share exchange in the form of a Share Exchange Agreement, under which we will acquire SinoCoking by issuing up to 13.2 million shares of our common stock (constituting 97% of the total shares expected to be outstanding post-acquisition) to the shareholders of Top Favour Limited, a British Virgin Islands corporation and parent holding company of Pingdingshan Hongyuan Energy Science and Technology Development Co., Ltd., which controls Henan Province Pingdingshan Hongli Coal & Coking Co., Ltd. and its subsidiaries (collectively "SinoCoking");

2. Approval of the terms of a plan of liquidation whereby the pre-acquisition business, assets and liabilities of Ableauctions.com, Inc. will be placed into a liquidating trust or other entity for the benefit of the Ableauctions.com, Inc. shareholders, as a condition to the closing of the acquisition;

3. Approval of amendments to our Articles of Incorporation to effect a reverse stock split within a range of 1-for-20 to 1-for-50 as determined by the board of directors;

4. Approval of a change of our name from "Ableauctions.com, Inc." to "SinoCoking Coal & Coke Chemical Industries Inc.";

5. Approval in connection with a debt or equity financing of the sale, issuance or potential issuance of our common stock which may equal or exceed 20% or more of our outstanding stock immediately after giving effect to the foregoing share exchange;

6. Election of the four persons listed in the proxy statement that accompanies this Notice to serve as our directors; and

7. Ratification of the appointment of Cinnamon Jang Willoughby & Company, Chartered Accountants as our independent auditors for the fiscal year ending December 31, 2009.

Shareholders of record at the close of business on November 27, 2009 will be entitled to notice of and to vote at the annual meeting and at any continuation or adjournment thereof.

All shareholders are cordially invited to attend the annual meeting in person. Your vote is important. Please return the enclosed proxy as promptly as possible, whether or not you plan to attend the annual meeting. Your promptness in returning the proxy will assist in the expeditious and orderly processing of the proxies and will assist in ensuring that a quorum is present or represented. Even though you return your proxy, you may nevertheless attend the annual meeting and vote your shares in person if you wish. If you want to revoke your proxy at a later time for any reason, you may do so in the manner described in the attached proxy statement.

	By Order of the Board of Directors
November 27, 2009	
	/s/ Abdul Ladha
Coquitlam, British Columbia	Abdul Ladha,
	President

ABLEAUCTIONS.COM, INC.
Suite 454 - 4111 Hastings Street
Burnaby BC V5C 6T7 Canada
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PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS
To Be Held December 30, 2009

VOTING AND PROXY

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of Ableauctions.com, Inc., a Florida corporation (referred to as the "Company", "we", "our", "us" or "Ableauctions") for use at ou annual meeting of shareholders to be held at the office of Broughton Law Corporation, Suite 700, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X1S8 on December 30, 2009, at 10:30 a.m. local time, and at any meeting following adjournment thereof. The notice of annual meeting, this proxy statement and the accompanying proxy card are being mailed to shareholders on or about November 30, 2009.

Revocability of Proxy and Voting of Shares

Any shareholder giving a proxy has the power to revoke it at any time before it is exercised. The proxy may be revoked by filing an instrument of revocation or a duly executed proxy bearing a later date with our president at our executive offices. The proxy may also be revoked by attending the meeting and voting in person. If it is not revoked, and assuming it is properly executed, dated and returned, the proxy will be voted at the meeting in accordance with the shareholder's instructions indicated on the proxy card. If no instructions are indicated, the proxy will be voted FOR all proposals, and in accordance with the judgment of the proxy holders as to any other matter that may be properly brought before the meeting or any adjournments thereof.

Record Date, Voting Rights, Outstanding Shares and Dissenters' Rights

The board of directors has fixed November 27, 2009 as the record date (the "Record Date") for determining holders of our common stock, $0.001 par value per share, who are entitled to vote at the meeting. As of the Record Date, we had 8,114,197 shares of common stock issued and outstanding. Each share of common stock is entitled to one vote. One-third of the shares of common stock issued and outstanding are required to reach a quorum. If a quorum is met, in order for the proposals to be approved by the shareholders, the holders of 50.01% or more of all of the outstanding shares entitled to vote on the matters presented must vote in favor of each of the proposals. For purposes of determining whether the affirmative vote of a majority of the shares (over 50.01%) entitled to vote on a proposal has been obtained, abstentions and shares held in "street name" by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to these matters ("broker non-votes") will be included in the number of shares present and entitled to vote but will have no effect on the vote.

Votes cast by proxy or in person at the annual meeting will be tabulated by the Inspector of Election, in conjunction with information received from our transfer agent. The Inspector of Election will also determine whether or not a quorum is present.

No shareholder has the right to dissent to or to receive an appraisal of his common stock in conjunction with the proposals to be voted upon.

Solicitation

We will bear the cost of solicitation of proxies, including expenses in connection with preparing and mailing this proxy statement. Copies of solicitation materials will be furnished to brokerage houses, nominees, fiduciaries and custodians to forward to beneficial owners of common stock held in their names. We will reimburse brokerage firms and other persons representing beneficial owners of common stock for their reasonable expenses in forwarding solicitation materials to the owners. In addition to original solicitation of proxies by mail, our directors, officers and other employees may, without additional compensation, solicit proxies by telephone, facsimile and personal interviews.

We will only deliver one proxy statement to multiple shareholders sharing an address unless we have received contrary instructions from one or more of the shareholders. We will promptly deliver a separate copy of this proxy statement to a shareholder at a shared address to which a single copy of the document was delivered upon oral or written request to:

ABLEAUCTIONS.COM, INC.
Attn: President
Suite 454 - 4111 Hastings Street
Burnaby BC V5C 6T7 Canada
Tel: (604) 293-3933
Fax: (604) 293-3934

SUMMARY TERM SHEET

The following summary highlights selected information from this proxy statement regarding the first proposal to be considered and voted upon by the shareholders, and may not contain all of the information that is important to you. Accordingly, we encourage you to read carefully this proxy statement, its attachments and the documents referred to or incorporated by reference into this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that item.

The Acquisition (page 8)

Ableauctions proposes to acquire a 100% interest in a coal mining and coking business based in the People's Republic of China, which is referred to throughout this proxy statement as "SinoCoking," by means of a share exchange transaction ("Acquisition"). In connection with this Acquisition, Ableauctions will issue up to 13.2 million shares of its common stock to the shareholders of SinoCoking, which will constitute approximately 97% of the Company's common stock that will be outstanding after giving effect to the Acquisition. The Acquisition will be accomplished pursuant to a Share Exchange Agreement dated as of July 17, 2009, and amended on November 20, 2009, which Ableauctions entered into with SinoCoking and its shareholders, a copy of which is included hereto as Attachment A.

The Acquisition will involve the acquisition by Ableauctions of 100% of the issued and outstanding capital stock of SinoCoking from the shareholders of SinoCoking. As a result of the share exchange:

- We will acquire and own 100% of the issued and outstanding shares of capital stock of SinoCoking from the shareholders of SinoCoking, making SinoCoking our wholly-owned subsidiary;
- We will issue up to 13.2 million shares of our common stock to the former shareholders of SinoCoking;
- The shareholders of Ableauctions immediately prior to the Acquisition will, after completion of the Acquisition, own approximately 3% of the outstanding shares of the Company; and
- Following the Acquisition, the Company will cease operating the Ableauctions business, and the business of SinoCoking will be continued and will constitute the principal business and operations of the Company.

The Parties to the Acquisition

The parties to the Acquisition are:

Ableauctions.com, Inc.
Suite 454 - 4111 Hastings Street
Burnaby BC V5C 6T7 Canada
Tel: (604) 293-3933
Fax: (604) 293-3934

and

Top Favour Limited and its Shareholders
c/o Pingdingshan Hongyuan Energy Science and Technology Development Co., Ltd.

Kuanggong Road and Tiyu Road (10th Floor, Chengshi Xin Yong She, Tiyu Road)
Xinhua District, Pingdingshan, Henan Province, China

-3-

and

Abdul and Hanifa Ladha, as shareholders of Ableauctions

What Ableauctions Shareholders Will Receive as a Result of the Transaction (page 65)

Prior to the consummation of the Acquisition, the Company will distribute all of the assets relating to the Ableauctions business to a liquidating trust or other entity (referred to in this proxy statement as the "Liquidating Entity"), which will also assume or otherwise dispose of the liabilities, for the benefit of the Company's existing shareholders. At this time we do not know and we cannot predict the timing of the sale of our assets, the costs related to the liquidation of our assets or the amount of net proceeds, if any, that will be distributed to our shareholders in connection with the plan of liquidation. Shareholders may receive nothing as a result of the liquidation of our assets if the proceeds we receive from the sale of our assets are approximately equal to, or less than, our liabilities and the costs and fees associated with the liquidation. (See the section in this proxy statement entitled "Proposal 2 – Approval of Terms of Plan of Liquidation".)

Potential Conflict of Interest between Abdul Ladha and the Ableauctions Shareholders (page 65)

Mr. Ladha is an executive officer of the Company, and a director as well as a major shareholder. Since Mr. Ladha is also one of our creditors, we will be required to pay any loans or other amounts owed to him, which are described in the section of this proxy statement entitled "Proposal 2 – Approval of Terms of Plan of Liquidation", prior to distributing any proceeds to our shareholders. This could raise a conflict of interest between Mr. Ladha and our remaining shareholders, because Mr. Ladha may benefit from an expedient sale of our assets for less than their fair market value (as opposed to a less expedient sale of assets at potentially higher sale prices) resulting in earlier repayment of the amounts owed to him. However, no sales of our assets or distributions may be made without the approval of a majority of the trustees or managers who, other than Mr. Ladha, will be independent.

Brief Description of Business of Ableauctions Presently Conducted (page 15)

We provide liquidation and merchandizing services along with auction and pont-of-sale technology to businesses to assist them with managing the sale of their products. In the past we provided the online auction technology and point-of-sale services directly to our customers. On May 21, 2009 and June 1, 2009, respectively, we licensed each of these technologies to unrelated third parties who pay us a percentage of what they earn by providing these services. We also provide mortgages and loans to individuals and companies, and develop real estate.

Report of Advisor (page 13)

In deciding to approve the merger, one of the factors that the Ableauctions board of directors considered was the Estimate Valuation Report and Related Fairness Opinion of its advisor, RWE Growth Partners, Inc. (the "Report"), which provided that in the opinion of RWE, as of August 31, 2009, the aggregate consideration was fair to the holders of shares of Ableauctions common stock from a financial point of view. A discussion of the Estimate Valuation Report and Related Fairness Opinion is included in this proxy statement. You are urged to read the entire discussion carefully.

Our Reasons for the Acquisition (page 10)

Our live auction business was adversely effected by the termination of the eBay Live Auctions platform in December 2008 and our liquidation business continues to be adversely effected by the weakness in the U.S. economy. We do not believe that these operations are likely to be profitable in the future, therefore we have been exploring a broad range of options in an attempt to provide value to our shareholders, including potential business combinations. In February 2009, we obtained a proposal from SinoCoking, which is described in more detail in the section of this proxy statement entitled "Proposal 1 – Approval of Acquisition". On July 17, 2009, the board of directors approved the terms of the Share Exchange Agreement with SinoCoking.

SinoCoking's Reasons for the Acquisition (page 11)

SinoCoking's management has recently decided that it is in SinoCoking's best interest to become a publicly traded company in the U.S. to better position the company to raise capital from outside sources. In addition, management believes that for SinoCoking to effectively compete in its industry and realize its potential, it must have access to capital at a reasonable cost.

SinoCoking's management considered a traditional initial public offering in the U.S.; however, it concluded that the cost, time and market risks associated with such a transaction outweighed the potential benefits. Management of SinoCoking then explored the possibility of acquiring a public shell for purposes of completing a reverse take-over transaction. SinoCoking's management believes that a reverse take-over by a public reporting company that is trading on a national exchange and reporting with the SEC would provide SinoCoking with the benefits that it is seeking by becoming a publicly traded company.

Transactions Related to the Acquisition (pages 65-73)

Conditioned upon closing of the Acquisition, we will (i) adopt and execute a plan of liquidation whereby the pre-acquisition business, assets and liabilities of Ableauctions will be placed into the Liquidating Entity for the benefit of the Ableauctions shareholders, (ii) we will conduct a reverse stock split of our outstanding common stock, within a range of 1-for-20 to 1-for-50, with the exact ratio to be determined by our board of directors, (iii) we will change our name to "SinoCoking Coal & Coke Chemical Industries Inc.", and (iv) we will conduct a financing with gross proceeds of over $50 million, in the form of debt or equity securities, which may involve the issuance of shares of our common stock which will exceed 20% of our then-outstanding shares (these items are sometimes collectively referred to in this proxy statement as the "Transactions"). Although we have entered into a binding Share Exchange Agreement, the board of directors has approved the Transactions, and Mr. and Mrs. Ladha have entered into a voting agreement with us requiring them to vote in favor of the proposals, nonetheless we cannot provide assurance that the Acquisition will be successfully consummated. If the Acquisition is not consummated for any reason, the Transactions described above, including the liquidation of our pre-acquisition business, reverse stock split, name change and financing, will be abandoned without any further action by our shareholders.

Proposed Financing

The closing of the Acquisition will be contingent on the simultaneous closing of a proposed financing of $50 million to $75 million, which may be comprised of debt or equity securities or both, to be determined by the board of directors in consultation with SinoCoking. This contingency may be waived by SinoCoking.

The financing is expected to result in dilution to the holders of shares after giving effect to the Acquisition, including both the shareholders of Ableauctions immediately prior to the Acquisition who will own approximately 3% of the outstanding shares, and the former shareholders of SinoCoking who will own 97% of the outstanding shares. Since, as of the date of this proxy statement, the terms of the financing have not been determined, the Company is unable to determine the degree of dilution that will result to the Company's shareholders. Solely for purposes of illustration, if investors in the financing were to be issued new shares constituting 20% of the outstanding shares of the Company's common stock post-financing, then the amount of dilution would be as shown below:

	Pre-Financing(1)		Post-Financing(2)	
Investors in the Financing	-		20.0	%
Ableauctions Shareholders(3)	3.0	%	2.40	%
Former SinoCoking Shareholders (4)	97	%	77.60	%
	100.00	%	100.00	%

(1) Percentage of outstanding shares of Ableauctions held by shareholders after giving effect to the Acquisition, but excluding the effect of any financing.

(2) Percentage of outstanding shares of Ableauctions held by shareholders after giving effect to both the Acquisition and a hypothetical financing involving the issuance of shares of common stock constituting 20% of the total issued and outstanding shares post-financing.

(3) Holders of all Ableauctions shares outstanding after giving effect to the Acquisition. These are the holders of 100% of the issued and outstanding shares of Ableauctions common stock of prior to the Acquisition.

(4) Holders of shares of SinoCoking, who agreed to transfer their SinoCoking shares to Ableauctions in exchange for shares of Ableauctions under the Share Exchange Agreement.

If the financing occurs, the actual total number of shares of common stock issued in the financing could be greater than or less than 20% of the total number of issued and outstanding shares of the Company post-financing.

Effect of the Transactions on Shareholders of Ableauctions (page 8)

If the Transactions are consummated, the persons who, after the reverse stock split, were shareholders of Ableauctions prior to the closing will continue to hold shares of Ableauctions common stock, and in addition these shareholders will become beneficiaries or beneficial owners of the Liquidating Entity. The pre-acquisition business, assets and liabilities of Ableauctions will be transferred to the Liquidating Entity, which will then proceed to wind down the business, pay liabilities, sell and liquidate property, and distribute the net proceeds to the beneficiaries or the beneficial owners of the Liquidating Entity. In addition, the shares of Ableauctions common stock held by the Ableauctions shareholders immediately prior to the Acquisition will be diluted, such that the holders of 100% of the issued and outstanding shares of Ableauctions common stock pre-Acquisition will hold 3% of the issued and outstanding shares of Ableauctions common stock post-transaction. Following the closing of the Acquisition, the business, as well as the properties, assets and liabilities of Ableauctions that are not transferred to the Liquidating Entity or assumed by it, shall become those of SinoCoking.

Interest of Certain Persons in Matters to be Acted Upon (page 65)

Abdul Ladha is our Chief Executive Officer, President Chief Financial Officer and Chairman of the board of directors, a significant shareholder, and a creditor of the Company. If the Acquisition, Plan of Liquidation, and related matters described in Proposals 1 through 4 are implemented, Mr. Abdul's employment as Chief Executive Officer President, Chief Financial Officer, and Chairman will terminate, and the Company will pay him certain fees and expenses as more fully discussed in the section of this proxy statement entitled "Proposal 2 – Approval of Terms of Plan of Liquidation" on page 65. At this time we anticipate that the total of all amounts owed to Mr. Ladha will be approximately $1,197,536. Furthermore, we expect to appoint the members of our board of directors as the managers or the trustees of the Liquidating Entity, and we expect to pay each of these individuals a fee for managing the Liquidating Entity, although no final determination of how the fee will be calculated has been made. Except for the foregoing, no other officer, director or associate of such persons has any substantial direct or indirect interest in the Acquisition or Plan of Liquidation that differs from or that is in addition to interests of the other shareholders of the Company. A description of the transactions entered into by the Company and Mr. Ladha, his affiliates or other members of the board of directors is included in the section entitled "Certain Relationships and Related Party Transactions" on page 63.

All Proposals Relating to the Acquisition Must Be Approved to Complete the Acquisition and Related Transactions

The Company's implementation of Proposals 1, 2, 3, 4 and 5 are conditioned upon shareholder approval of each and every of the Proposals 1, 2, 3, 4 and 5. If the Company waives the implementation of Proposal 5, the implementation of Proposals 1, 2, 3 and 4 will be conditioned on shareholder approval of Proposals 1, 2, 3 and 4.

Vote Required for Approval of the Proposals and Election of Directors

One-third of the shares of common stock issued and outstanding are required to reach a quorum for the annual meeting. If a quorum is met, in order for the proposals (other than election of the directors) to be approved by the shareholders, the holders of 50.01% or more of all of the outstanding shares entitled to vote on the matters presented must vote in favor of each of the proposals. For purposes of determining whether the affirmative vote of shareholders entitled to vote on a proposal has been obtained, abstentions and shares held in "street name" by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to theses matters ("broker non-votes") will be included in the number of shares present and entitled to vote but will have no effect on the vote. Mr. Ladha has indicated that he intends to vote in favor of all of the proposals and for the nominees to the board of directors. As of the date of this proxy statement, Mr. Ladha and his spouse beneficially own 3,981,483 shares of our outstanding common stock, which represents approximately 49% of our issued and outstanding shares of common stock on the Record Date. On July 17, 2009 Mr. Ladha and his spouse entered into a voting agreement with SinoCoking. A description of this agreement is included in the section of this proxy statement entitled "Certain Relationships and Related Party Transactions" on page 63.

Vote Required for Election of Directors

If a quorum is met, directors will be elected by a plurality of the votes cast by the shares entitled to vote in the election. Shareholders do not have the right to cumulate their votes for directors.

Dissenters' or Appraisal Rights

Shareholders will not be entitled to dissenters' or appraisal rights as a result of the Transactions.

Accounting Treatment

For accounting purposes, the Acquisition will be treated as a reverse acquisition which results in the legal acquirer, the Company, being treated as being acquired by SinoCoking under purchase accounting.

Effective Date of the Transactions

A definitive closing date for the Transactions has not been established at this time, however, management anticipates that the Transactions will close not later than April 30, 2010.

OVERVIEW OF PROPOSALS

This proxy statement includes seven proposals requiring shareholder action, numbered below (each, a "Proposal"):

1. Approval of a plan of share exchange in the form of a Share Exchange Agreement, under which we will acquire SinoCoking by issuing up to 13.2 million shares of our common stock (constituting 97% of the total shares expected to be outstanding post-acquisition) to the shareholders of Top Favour Limited, a British Virgin Islands corporation and parent holding company of Pingdingshan Hongyuan Energy Science and Technology Development Co., Ltd., which controls Henan Province Pingdingshan Hongli Coal & Coking Co., Ltd. and its subsidiaries (collectively "SinoCoking");

2. Approval of the terms of a plan of liquidation whereby the pre-acquisition business, assets and liabilities of Ableauctions will be placed into a Liquidating Entity for the benefit of the Ableauctions shareholders, as a condition to the closing of the Acquisition;

3. Approval of amendments to our Articles of Incorporation to effect the Reverse Stock Split, which will be within a range of 1-for-20 to 1-for-50 as determined by the board of directors;

4. Approval of a change of our name from "Ableauctions.com, Inc." to "SinoCoking Coal & Coke Chemical Industries Inc.";

5. Approval, in connection with a financing, of the sale, issuance or potential issuance of our common stock which may equal or exceed 20% or more of our outstanding stock immediately after giving effect to the foregoing share exchange;

6. Election of 4 persons to our board of directors; and

7. Ratifying the appointment of Cinnamon Jang Willoughby & Company, Chartered Accountants as our independent auditors for the fiscal year ending December 31, 2009.

The proposals are discussed in more detail below.

PROPOSALS

PROPOSAL 1

APPROVAL OF ACQUISITION

We intend to acquire a 100% interest in SinoCoking by means of a share exchange transaction. In connection with the Acquisition, the Company will issue up to 13.2 million shares of its common stock to the shareholders of SinoCoking, which will constitute approximately 97% of the Company's common stock that will be outstanding after giving effect to the Acquisition.

Section 713 of the NYSE Amex Company Guide (or successor provision) requires approval by our shareholders for the acquisition of stock or assets of another company in the following circumstances (in relevant part):

(b) when the issuance or potential issuance of additional shares will result in a change of control of the issuer, including, but not limited to, those issuances that constitute a Reverse Merger as specified in §341.

The Company's board of directors has approved the acquisition of SinoCoking through a share exchange transaction with the holders of capital stock of SinoCoking. Under Florida law, the shareholders of the Company must approve the plan of share exchange in connection with the Acquisition. In addition, the transaction contemplated by the Share Exchange Agreement would be considered a "reverse merger" under the rules of the NYSE Amex Company Guide, and accordingly, the transaction must be approved by the shareholders of the Company in order to comply with the requirements of NYSE Amex Equities.

DESCRIPTION OF THE ACQUISITION

The Acquisition is described below, and the full text of the Share Exchange Agreement dated as of July 17, 2009, as amended on November 20, 2009 (the "Share Exchange Agreement") setting forth the terms and conditions of the Acquisition is attached hereto as Attachment A.

The Acquisition will consist of the acquisition of 100% of the issued and outstanding capital stock of SinoCoking from the shareholders of SinoCoking. As a result of the share exchange:

- We will acquire and own 100% of the issued and outstanding shares of capital stock of SinoCoking from the shareholders of SinoCoking, making SinoCoking our wholly-owned subsidiary;

- We will issue up to 13.2 million shares of our common stock to the former shareholders of SinoCoking;

- The shareholders of Ableauctions immediately prior to the Acquisition will, after completion of the Acquisition, own approximately 3% of the outstanding shares of the Company; and

- The former shareholders of SinoCoking will own approximately 97% of the outstanding shares of the Company.

Ableauctions has agreed to adopt a plan of liquidation reasonably acceptable to SinoCoking under which it shall establish a Liquidating Entity for purposes of assuming outstanding liabilities and distributing the assets of Ableauctions to its shareholders as of a certain record date prior to the closing of the Acquisition. (See the section of this proxy sttement entitled "Proposal 2 – Approval of Terms of Plan of Liquidation".) Ableauctions and Abdul Ladha agreed to cause such plan of liquidation to include a covenant to indemnify the Top Favour shareholders for certain claims, damages, costs and expenses, and provide for a reserve fund of at least $1,000,000 in cash, cash equivalents or other assets acceptable to SinoCoking which shall remain in place for at least 12 months following the closing of the Acquisition and shall be used to discharge any remaining liabilities of Ableauctions not discharged prior to closing. The plan of liquidation will also include a covenant to indemnify Abdul Ladha for certain claims, damages, costs and expenses.

Following the Acquisition, the Company will cease operating the Ableauctions business, and the business of SinoCoking will be continued and will constitute the principal business and operations of the Company.

The closing of the Acquisition will be contingent on the simultaneous closing of a proposed financing of $50 million to $75 million, which may be comprised of debt or equity securities or both, to be determined by the board of directors in consultation with SinoCoking. SinoCoking may waive this condition.

As a condition to and prior to the Acquisition, we agreed to amend our Articles of Incorporation to effect a reverse stock split which will range between 1-for-20 and 1-for-50 and change our name to "SinoCoking Coal & Coke Chemical Industries Inc." (See the section in this proxy statement entitled "Proposal 3 – Reverse Stock Split and Approval of Amendment to Articles of Incorporation"). Following the Acquisition, members of SinoCoking's management will also be appointed as our officers and directors, as described in this proxy statement.

In addition to the conditions described above, the Share Exchange Agreement contains representations, warranties and conditions customary for transactions of this nature. The Share Exchange Agreement provides for indemnification of

SinoCoking and its shareholders by Ableauctions, and indemnification of Ableauctions and Mr. Ladha by Top Favour, for breaches of representations, warranties and covenants. In the event that any of the conditions to the Acquisition are not satisfied, the Acquisition may not be consummated. Neither the Company nor SinoCoking can provide any assurances that the Acquisition will ultimately be consummated.

Following the consummation of the Acquisition contemplated by the Share Exchange Agreement, our hypothetical capital structure, in the event of either a 1-for-20 reverse stock split or a 1-for-50 reverse stock split, would be as follows:

Category of Holders	Shares (1-for-20 reverse stock split)(1)	Shares (1-for-50 reverse stock split)(1)	Percentage Owned (2)
SinoCoking Shareholders	13,117,952	5,247,181	97%
Original Ableauctions Shareholders	415,710	162,284	3%
TOTAL(2):	13,523,662	5,409,465	100%

(1) Subject to adjustment to address fractional shares. Each of the Company's shareholders entitled to a fractional share of the Company's common stock as a result of the reverse stock split will receive a whole share of the Company's common stock in lieu of such fractional share.

(2) Excludes the effect of the anticipated financing, the terms of which have yet to be determined.

For accounting purposes, the Acquisition will be treated as a reverse acquisition which results in the legal acquirer, the Company, being treated as being acquired by SinoCoking under purchase accounting.

SinoCoking has agreed to file a listing application with the NYSE Amex Equities exchange, with the intent of maintaining the listing of Ableauctions' shares on the exchange.

Closing of the Acquisition will require the satisfaction of a number of conditions, briefly described below. Among these conditions, the current officers and directors of Ableauctions must resign. The board of directors of Ableauctions must appoint Jianhua Lv as Chairman of the board of directors, and appoint his designees to the board of directors to take office immediately after the closing. As of the date of this proxy statement, SinoCoking intends to have Mr. Lv appointed as Chief Executive Officer, President and Chairman of the Board, and Mr. Zan Wu as the Chief Financial Officer, Treasurer and Secretary. At the time of closing, Ableauctions must have completed its transfer of the prior business, assets and liabilities to the Liquidating Entity, and Ableauctions must have no remaining assets or liabilities immediately prior to closing. The shareholders of Ableauctions entitled to vote at the annual meeting must have voted to approve all proposals. Any third party consents that Ableauctions is required to obtain must have been obtained prior to closing. Ableauctions must have completed its due diligence investigation. Finally, the parties intend to concurrently consummate or shall have secured an irrevocable commitment from a bona fide third party to consummate a debt or equity financing to raise up to $75 million in gross proceeds. In the event that any of the conditions in the Share Exchange Agreement are not satisfied or waived prior to closing, the Acquisition may not be consummated.

Under the Share Exchange Agreement, the Acquisition may be terminated under the following circumstances:

(i) by both parties if Ableauctions and SinoCoking mutually agree to terminate the Acquisition;

(ii)

by either Ableauctions or the Top Favour Shareholders if the Acquisition shall not have been consummated for any reason by April 30, 2010; provided that the failure to consummate the transaction is not caused by the party that is terminating;

(iii) by either Ableauctions or the Top Favour Shareholders if a governmental entity shall have issued an order, decree or ruling or taken any other action, in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the Transactions, which order, decree, ruling or other action is final and non-appealable;

(iv) by the Top Favour Shareholders, upon a material breach of any representation, warranty, covenant or agreement on the part of Ableauctions or Mr. and Mrs. Ladha provided in the Share Exchange Agreement, or if any representation or warranty of Ableauctions shall have become materially untrue, unless cured in accordance with the terms of the Share Exchange Agreement;

(v) by Ableauctions, upon a material breach of any representation, warranty, covenant or agreement on the part of Top Favour or the Top Favour Shareholders in the Share Exchange Agreement, or if any representation or warranty of Top Favour or the Top Favour Shareholders shall have become materially untrue, unless cured in accordance with the terms of the Share Exchange Agreement;

(vi) by Ableauctions, if the results of the due diligence investigation described in the Share Exchange Agreement by Ableauctions is unsatisfactory, and SinoCoking is not able to cure the unsatisfactory condition prior to closing;

(vii) by Top Favour if Royal Bank of Canada, one of Ableauctions' lenders, refuses to approve the assumption by the Liquidating Entity of the liabilities and guarantees arising from certain loan agreements; or

(viii) by Ableauctions if (i) Royal Bank of Canada refuses to approve the assumption by the Liquidating Entity of the liabilities and guarantees arising from such loan agreements and (ii) Top Favour does not waive the failure to assign such liability and guarantees.

A definitive closing date for the Transactions has not been established at this time, however, management anticipates that the Transaction will close not later than April 30, 2010.

The foregoing "Description of the Acquisition" is qualified in its entirety by the specific language of the Share Exchange Agreement, which is attached to this proxy statement as Attachment A.

Our Reasons for the Acquisition and Related Transactions

A significant segment of our business has involved providing on-line liquidation and merchandizing services, including auction and point-of-sale technology, to businesses to assist them in managing the sale of their products. On April 15, 2008 we announced that we had been notified by eBay that eBay intended to wind down the operations of its eBay Live Auctions platform effective December 31, 2008. This decision, along with the continued weakness in the U.S. economy, has negatively impacted the revenues earned by our liquidation and live auction broadcast services. In order to address the adverse effect of these events on our revenues and operations, we began exploring a broad range of options that included taking the company in a new direction while also expanding our investment portfolio that is comprised of loans, real property, development property and a joint venture. While we expect to realize record revenues in 2009 as a result of our investment portfolio and specifically the Gruv development project that we started in 2005, we believe that expanding and focusing on this segment of our business alone will not provide immediate value to our shareholders because of the significant amount of capital and the length of time it takes to develop a project, and the weakness in the global economy, which makes raising and borrowing large sums of capital difficult.

Therefore, we have been continuously exploring business opportunities, including potential business combinations. In February 2009, we obtained a proposal for the Acquisition from SinoCoking as described above. On July 17, 2009, the board of directors approved the Share Exchange Agreement with SinoCoking.

In approving the Acquisition, our board of directors focused on two significant advantages to our shareholders.

First, the Company's assets will not be combined with those of SinoCoking nor spun-off in a new corporation, but will, instead, be liquidated and the proceeds distributed pro-rata to our shareholders after the Company's liabilities are paid. SinoCoking has no interest in continuing the Company's business, therefore, leaving the assets in the Company after the Acquisition would provide no benefit to our shareholders. Transferring the assets into a subsidiary and distributing the subsidiary's securities would provide our shareholders with securities that have no market and very little, if any, value. By liquidating the assets in an orderly fashion our shareholders will receive something of immediate benefit, namely, cash.

Second, our shareholders will continue to hold their common stock in the Company after the Acquisition. While the percentage ownership of the outstanding common stock held by our shareholders will be significantly diluted, we believe that SinoCoking's business is strong, that the recent decline in coke prices, reduced demand for coke from steel producers, and the increase in prices for thermal coal do not represent long-term trends, and that demand levels that existed prior to the sharp pullback in global economic conditions will be restored and possibly exceeded in the long term. We also believe that the expansion plans announced by SinoCoking, which include a new coking factory and related facilities that are expected to have a coke producing capacity of 900,000 tons per year, will increase the potential long-term value of the business for our shareholders. SinoCoking earns substantial revenues, is a profitable entity and we believe that it has future growth potential.

In addition, SinoCoking is submitting an application to NYSE Amex to list its common stock. We believe that NYSE Amex will approve SinoCoking's application, which will mean that the Company's shareholders will continue to have a stable market in which to trade their shares of common stock.

Our directors also considered the Report that RWE Growth Partners, Inc. rendered as of August 31, 2009 which stated that the consideration to be paid by Ableauctions to the holders of SinoCoking was fair, from a financial point of view, to Ableauctions and to the holders of its common stock.

Finally, our directors took into consideration their knowledge of the Company's business, operations, financial condition, earnings and prospects and the current economic climate, which may continue to be depressed for many months, and which will make it difficult for the Company to grow or to achieve profitability. Based on the foregoing, our directors determined that the Acquisition was more favorable to our shareholders than other alternatives reasonably available to us, which included continuing to operate our business, finding another compatible business to acquire, or liquidating our auction and liquidation operations. Our auction and liquidation businesses have not been profitable, therefore, in order to continue to operate our business we will likely need to obtain additional funding. In the past, we have had to rely on Mr. Ladha for loans, however he is under no obligation to provide financing to us. We have also looked for businesses compatible to our auction and liquidation businesses that might be integrated with our operations, but due to the current downturn in the global economy, our searches have not been successful. Finally, we believe that our shareholders will obtain more value from the liquidation of our assets in conjunction with the Acquisition (while maintaining some equity interest in the combined entity), in contrast with the continuation of our business without engaging in the proposed Transactions.

Our directors also considered the disadvantages of the Acquisition to our shareholders. The disadvantages included the substantial dilution to our existing shareholders, whose ownership of the Company's outstanding common stock will be reduced from 100% to approximately 3% after giving effect to the Acquisition, and will be further reduced if a financing involving the issuance of equity securities is completed, and the fact that SinoCoking's shareholders will be in a position to control substantially all matters requiring approval by the Company's shareholders, including the election of a majority of the Company's directors and the approval of other business transactions. The board of directors concluded that the overall advantages to the Company's shareholders outweighed the disadvantages that the board of directors had identified in its analysis. The foregoing discussion of the factors considered by our board of directors is not intended to be exhaustive. Our board of directors did not quantify or assign any relative weights to the factors it considered in reaching its decision to declare the Acquisition advisable, in determining that the Acquisition is fair to and in the best interests of Ableauctions' shareholders, and in approving the Share Exchange Agreement and the Transactions contemplated by the Share Exchange Agreement. Additionally, individual directors may have given different weight to different factors. Our board of directors considered all of the above factors as a whole, including discussions with and questioning of our management and financial and legal advisors, and, overall, considered the factors to be favorable to and in support of its decision.

SinoCoking's Reasons for the Acquisition

SinoCoking has been a private operating company in China, which began with the establishment of Henan Province Pingdingshan Hongli Coal & Coke Company, Ltd. (referred to herein as "Hongli") in 1996, with a focus on coal mining. The company later expanded its business activities to include coke production and electricity generation. In 2003, Hongli acquired Baofeng Coking Factory of Henan Province ("Baofeng Coking"), which now constitutes SinoCoking's coking operations. In 2007, Hongli established a wholly owned subsidiary named Baofeng County Hongchang Coal Co. Ltd. ("Hongchang Coal"), which presently holds and operates its coal mining and washing operations. In 2006, Hongli established another wholly owned subsidiary named Baofeng Hongguang Power Co., Ltd. ("Hongguang Power"), which now holds and operates its electricity generating business.

Up to the present time, SinoCoking has been financed primarily by its founder, Mr. Jianhua Lv, and through cash flow generated by the business. However, the scale of SinoCoking's business expansion has been limited by capital constraints. Over the past year, new opportunities were presented to SinoCoking including expansion of its existing facilities. SinoCoking's management decided that it was in SinoCoking's best interest to become a publicly traded company in the U.S. to better position the company to raise capital from outside sources. In addition, management believed that for SinoCoking to effectively compete in its industry and realize its potential, it must have access to capital at a reasonable cost.

SinoCoking's management considered a traditional initial public offering in the U.S.; however, it concluded that the cost, time and market risks associated with such a transaction outweighed the potential benefits. Management of SinoCoking then explored the possibility of combining with a publicly traded shell company in a reverse take-over transaction. SinoCoking's management believes that a reverse take-over by a public reporting company that is trading on a national exchange and reporting with the SEC would provide SinoCoking with the benefits that it is seeking by becoming a publicly traded company.

Contacts between SinoCoking and the Company

In the last half of 2008, SinoCoking considered proposals to become a publicly traded company in the U.S. Numerous meetings were held by SinoCoking's management, and its management decided that it was in the best interests of the company to become a public reporting company through a business combination with a U.S. publicly traded company. Representatives were hired to look for a suitable vehicle for a reverse takeover. Such representatives began discussions with the Company in May of 2008. SinoCoking conducted a due diligence investigation of the Company and proposed transaction, and determined that the Company was a suitable candidate for a reverse takeover transaction. Both companies consulted with their respective financial, legal and tax advisors regarding the financial terms and structure of a proposed merger and a non-binding letter of intent was signed in February 2009. Abdul Ladha, the Company's Chief Executive Officer, President and Chief Financial Officer, represented the Company in discussions, and the parties discussed the proposed business combination including issues related to tax matters, a fair merger exchange ratio taking into account a reverse stock split, appointment of a new board of directors, a liquidating distribution of Ableauctions' assets to the Company's existing shareholders, and the need for legal and accounting due diligence investigations.

Through the first quarter of 2009, both parties continued to conduct due diligence investigations and began the formal process of drafting the Share Exchange Agreement. The Company's board was satisfied with the exchange ratio based upon the fair value and net assets contributed by SinoCoking and was satisfied with SinoCoking's current financial statements and management team. The Company's board concluded that a reverse takeover with SinoCoking, coupled with a liquidating distribution of the Company's assets, was in the best interest of the Company's existing shareholders. SinoCoking's board was satisfied with the results of its due diligence investigation and the terms of the proposed business combination. On July 17, 2009, a definitive Share Exchange Agreement was executed by SinoCoking and its shareholders and by the Company and Mr. and Mrs. Ladha. The text of the Share Exchange Agreement, excluding the corresponding schedules and exhibits, is being furnished with this proxy statement.

The consideration for the Acquisition was determined in arm's length negotiations between the Company's board of directors, represented by Mr. Ladha, and Mr. Lv and SinoCoking's legal representatives, representing the shareholders of SinoCoking. Factors taken into consideration by the Company included the strength of SinoCoking's operations including financial condition and historical results of operations, the Company's plan to liquidate its assets and distribute them to its shareholders, SinoCoking's agreement to allow the Company's shareholders to continue to hold their common stock (which would allow them to participate in SinoCoking's future growth), and the views and opinions of the respective managements of Ableauctions and SinoCoking regarding the relative enterprise values of a liquidated Company and SinoCoking. During the course of negotiations, the number of shares of Ableauctions to be issued in the Share Exchange was then determined based on these factors and by mutual agreement of the management of Ableauctions and SinoCoking.

Report of Advisor to Ableauctions

On September 10, 2009, Ableauctions received an Estimate Valuation Report and Related Fairness Opinion, referred to in this discussion as the “Report,” from RWE Growth Partners, Inc., referred to in this discussion as “RWE”, relating to the liquidation and Acquisition. The complete text of the Report, dated September 9, 2009, sets forth, as of August 31, 2009 (the “Valuation Date”), the assumptions made, matters considered, limitations on and scope of the review and work undertaken by RWE. The Report will be made available for inspection and copying at the principal executive offices of Ableauctions during its regular business hours by any shareholder or a representative of a shareholder who has been so designated in writing.

Ableauctions’ board of directors selected RWE to prepare the Report on the basis of the firm’s considerable experience in preparing more than a thousand valuations and more than one hundred fairness opinions over the past seventeen years. Ableauctions also considered RWE’s extensive experience in doing valuation work in China, its experience in valuing technology and resource companies ranging from micro-cap to mid-cap sized businesses, and its extensive experience in preparing valuations and fairness opinions for public companies.

There is no material relationship that existed during the past two years or is mutually understood to be contemplated, and no compensation received or to be received as a result of the relationship among RWE and its affiliates and either Ableauctions or SinoCoking.

The Report stated RWE's conclusion that, as of August 31, 2009, and based upon and subject to the factors, assumptions and limitations set forth in the Report, the consideration to be paid by Ableauctions in the Acquisition to the equity holders of SinoCoking (including the holders of options and warrants) was fair, from a financial point of view, to the holders of Ableauctions common stock. RWE’s conclusion was based upon the following:

Value to be Received by Ableauctions Shareholders in Liquidation and Acquisition

RWE concluded that the most appropriate method to determine the range of the fair market value of Ableauctions at the Valuation Date was to use an orderly liquidation basis for the following reasons. (1) Ableauctions has not been successful in securing significant new capital to fund the losses occurring in the Company; (2) the trailing losses in the Company and expected future operating losses; (3) the wind down of the online auction business; and (4) the liquidation approach yields a higher value than a going concern basis.

In determining the liquidation value of the Company, RWE examined each asset of the Company’s business and determined the fair market value of each asset. RWE determined that, at the Valuation Date, the fair value of the Company’s assets was approximately $13,891,663.

In making its analysis, RWE took into consideration the potential value of a 3% interest in SinoCoking on a going concern basis. RWE concluded that it was appropriate to value SinoCoking on a going concern basis for the following reasons: (1) SinoCoking has been in operation for a number of years; (2) SinoCoking has developed operations and a business model that has material and real commercial appeal; (3) SinoCoking shows realistic signs of continuing to generate material revenues, positive net income and cash flows; and (4) the going concern approach yields a higher value than a liquidation approach.

Based on these analyses, RWE concluded that the value that can be realized by the Ableauctions shareholders from the liquidation and the Acquisition as a whole would be approximately $15.2 million, after all estimated costs related to the Acquisition have been paid.

Fairness

In examining the fairness of the Transactions from the financial point of view of the Ableauctions shareholders, RWE also examined the market value (market capitalization) of the Company based on the trading price of its common stock over the 90 day period from June 3, 2009 through August 31, 2009. RWE concluded that the value of the Company, as reflected by the market for its common stock, would be approximately $4,650,000.

Since the value to be received by the shareholders from the liquidation and the Acquisition will likely be an amount that is (i) greater than the book value of the Company (which at June 30, 2009 was $9,675,230), (ii) greater than an amount that may be realized from a liquidation of the Company's assets without the Acquisition (which was determined to be approximately $13,891,663) and (iii) greater than the Company's recent market value as reflected by the trading price of its common stock (which was $4,650,000) and because liquidating the Company's assets following the Acquisition would mean that the Company will no longer experience operating losses relating to its business, RWE determined that the Acquisition is fair, from a financial point of view, to the Ableauctions shareholders.

The amount and form of consideration to be paid in the Acquisition was determined through arm's-length negotiations between Ableauctions and SinoCoking and not by RWE. This fact was not considered by RWE in forming its opinion of the fairness of the Acquisition to the Ableauctions shareholders.

RWE was not asked to consider, and RWE's Report does not address, the underlying business decision of Ableauctions to engage in the Acquisition, the relative merits of the Acquisition as compared to other business strategies that might exist for Ableauctions, the effect of any other transaction in which Ableauctions might engage or any other aspect of the Acquisition. RWE's Report did not express an opinion or recommendation to any director, shareholder or other person as to how to vote or act with respect to the Acquisition. No limitations were imposed by Ableauction's board of directors with respect to the investigations made or procedures followed by RWE in rendering the Report.

In preparing the Report, RWE conducted discussions with members of the senior management of Ableauctions, undertook an on-site visit to SinoCoking's facilities and operations, interviewed certain personnel, management and owners of SinoCoking; and reviewed or compared, as appropriate, the following:

(a) information on the Ableauctions website and all public data and information related to Ableauctions and its subsidiaries, including Ableauctions' annual, quarterly and current reports filed with the SEC and available on the website www.sec.gov;

(b) information provided to RWE by Ableauctions relating to its capitalization;

(c) corporate records of Ableauctions;

(d) information relating to SinoCoking provided to RWE by SinoCoking's management and by the management of Ableauctions;

(e) the report regarding SinoCoking prepared by Barrett Sleeman, a director of Ableauctions;

(f) the historical market price and trading history of Ableauctions' common stock;

(g) the Share Exchange Agreement; and

(h) such other financial studies, analyses, investigations and other matters as RWE deemed necessary and appropriate.

In connection with its review and in preparing the Report, RWE assumed and relied upon, without assuming any responsibility for or independently verifying, the accuracy and completeness of all information supplied or otherwise made available to it by Ableauctions and SinoCoking.

RWE further relied upon the assurance of representatives of the management of Ableauctions that they are unaware of any facts that would make the information provided to RWE incomplete or misleading in any material respect.

RWE assumed that the Acquisition will be consummated in accordance with the terms of the Share Exchange Agreement as executed and delivered by the parties without waiver of any of the conditions precedent to the Acquisition contained in the Share Exchange Agreement.

RWE received a fee of $15,000 in connection with rendering the Report, which was not contingent upon consummation of the transaction between Ableauctions and SinoCoking. The terms of the fee arrangement with RWE, which are customary in transactions of this nature, were negotiated on an arm's-length basis and Ableauctions' board of directors was aware of the arrangement.

RWE outlined that the analyses, opinions, calculations and conclusions in the Report were prepared in accordance with the standards set forth by the Canadian Institute of Chartered Business Valuators and the American Society of Appraisers.

RWE noted in the Report that it has no present or prospective interest in Ableauctions, SinoCoking or any asset or company that is the subject of the Report, and RWE and its principal has no personal interest with respect to any of the parties involved.

ABOUT ABLEAUCTIONS.COM

Description of Business

Overview

The following discussion describes our current business as it is now conducted, prior to consummation of the Acquisition. As a condition of the closing of the Acquisition, our present business will be liquidated, our net assets distributed to a Liquidating Entity for the benefit of our shareholders, and our Company's business will thereafter consist entirely of the business of SinoCoking (see the section of this proxy statement entitled "Proposal 2 – Approval of Terms of Plan of Liquidation"). Readers of this proxy statement should note that the following discussion is furnished in order to provide a description of our business as it exists prior to the closing of the Acquisition. If the Acquisition is not consummated, our current business will not be liquidated.

We provide liquidation and merchandizing services along with auction and point-of-sale technology to businesses to assist them with managing the sale of their products. In the past we provided the online auction technology and point-of-sale services directly to our customers. Effective June 8, 2009, we licensed our point-of-sale and online auction operations to third parties to provide these services. We also provide mortgages and loans to individuals and companies, and develop real estate. We classify our business interests into four reportable segments: the auction, liquidation and technology business, which consists principally of liquidation and merchandizing services; loans, which consists of mortgages and loans; real property and property development, which consists principally of properties held for development; and a segment we call "other" which encompasses our corporate activities such as investor and public relations and the management of cash and marketable securities held for investment. We have included information in the discussion below about our websites. Information included on our websites is not a part of this proxy statement.

Auction, Liquidation and Technology Segment

Liquidation Services. We sell merchandise through our Unlimited Closeouts and Ableauctions' liquidation stores located in California and British Columbia. We also generate revenues by providing inventory brokerage services at www.unlimitedcloseouts.com.

Auction Broadcast Services. Prior to May 21, 2009, we broadcast business and industrial auctions over the Internet for auctioneers and members of the National Auctioneers Association (NAA). These auctions are facilitated using our proprietary technology (www.ableauctions.com/technology) through the website www.naalive.com and www.naaonlinesolutions.com. Additionally, we directly broadcast antique and collectible auctions over the Internet for numerous galleries and auction houses throughout the world. Prior to December 31, 2008, these auctions were facilitated using eBay's live auction technology. Beginning on January 1, 2009, these auctions were facilitated using our proprietary technology (www.ableauctions.com/ technology) through the website, www.iCollector.com. We also provided auction-related products and services for a fee(www.icollectorlive.com/services.aspx). As discussed in the section below entitled "Auction Broadcast Services - iCollector", on May 21, 2009 we licensed this technology to ABC Live Auction World Ltd. In exchange for the transfer, we will receive the greater of 50% of the net profits or 10% of the net auction revenue earned by ABC. In conjunction with the transfer, ABC hired from us those employees who were responsible for supporting these services.

Point-of-Sale (POS) Services. Through our subsidiary, Rapidfusion Technologies, Inc. (www.rapidfusion.com/technology), we sold, installed and supported our proprietary point-of-sale (POS) sales processing and reporting systems. As discussed in the section below entitled "Auction Broadcast Services – Point of Sale (POS) Software and Services", on June 8, 2009 we licensed the POS operations to Pacific Amber Technologies

Inc. In exchange for the transfer, we will receive 50% of the net profits realized from the operations or 5% of gross profits from the point-of-sale revenues, whichever is greater. In conjunction with the transfer, Pacific Amber Technologies Inc. hired from us those employees who were responsible for supporting these products and services.

Real Property Development and Lending Segments

Our wholly owned subsidiary, Axion Investment Corporation, develops real estate and makes short term loans.

As of September 30, 2009, our loan and real estate segments included the following investments:

Investment		Amount
Loans	$	1,907,229
Real Property	$	2,429,255
Real Property held for development	$	17,157,004
Investment in joint venture	$	1,390,871
Investment in Surrey City Central Holdings Ltd.	$	1,877,085

As of November 16, 2009, our loan and real estate segments included the following investments:

Investment		Amount
Loans	$	2,708,065
Real Property	$	0
Real Property held for development	$	18,555,968
Investment in joint venture	$	1,390,871
Investment in Surrey City Central Holdings Ltd.	$	1,877,085

When we deem it necessary, we use the income earned by these investments to support our operations.

Other Segment

Ableauctions manages our corporate and public company affairs and all related activities such as investor and public relations and the management of our cash and marketable securities held for investment.

History

We were incorporated under the laws of the state of Florida as J. B. Financial Services, Inc. on September 30, 1996. We changed our name to Ableauctions.com, Inc. on July 19, 1999. From the date of our incorporation until August 24, 1999, we had no material business and no material revenues, expenses, assets or liabilities.

On August 24, 1999, in exchange for shares of our common stock and cash, we acquired all of the assets and the business operations of Able Auctions (1991) Ltd., a British Columbia corporation engaged in the business of auctioning used equipment, office furnishings and other merchandise. We acquired all of the issued and outstanding common stock of Able Auctions (1991) Ltd. from Dexton Technologies Corporation, a British Columbia corporation. Our intent in acquiring the assets and business operations of Able Auctions (1991) Ltd. was to expand its bricks and mortar operations and to develop an on-line auction technology.

Because of the significant costs related to traditional auction businesses, such as maintaining a physical auction site and employees necessary to staff the auctions, we decided to abandon our plan to expand our bricks and mortar operations through continued acquisitions of auction businesses. We no longer operate our bricks and mortar auction businesses.

While our business has evolved away from conducting auctions through bricks and mortar operations, we expanded our on-line auction operations and branched out into excess inventory liquidation.

Liquidation Services

During 2008, most of our business involving the liquidation of excess inventory was carried out by our wholly owned subsidiary, Unlimited Closeouts, Inc., which contacts major manufacturers and importers to purchase overstocks, order cancellations and discontinued products. Unlimited Closeouts then sells the merchandise to major retail chains, other resellers or the public.

We earn commissions ranging from 10% to 25% on the inventory that we sell. During the 2008 fiscal year, revenue from our liquidation business totaled $1,653,902, or approximately 59% of all the revenue we earned and during the nine months ended September 30, 2009 revenue from our liquidation business totaled $1,093,818, or approximately 76% of all the revenue we earned.

Auction Broadcast Services

During the 2008 fiscal year and through May 21, 2009, we provided technology and related services to auction houses and galleries to enable them to broadcast auctions live over the Internet through the use of our proprietary technology.

In a traditional bricks and mortar auction setting, prior to the auction interested parties must register to qualify as bidders. Up until the start of an auction, interested parties are able to preview the merchandise and submit absentee bids. Once the auction begins, the registered bidders against each other for merchandise auctioned at a physical location with the auctioned merchandise being sold to the highest bidder. A typical auction may draw 500 people and have 1,000 lots of merchandise.

Through our auction broadcast services, as used with our proprietary technology platform, auction houses and galleries were empowered with technology that enabled them to broadcast their auctions over the Internet in real-time, allowing online bidders to bid against bidders physically present at the location. Like a traditional bricks and mortar auction, interested parties register on-line before the auction begins in order to qualify as bidders, to preview the merchandise and to place absentee bids. Once the auction begins, online bidders bid from their computers in real-time against bidders present at the location ("floor bidders") and against each other. Online bidders are invoiced electronically for their winning bids and are able to remit payment electronically. We believe that our technology and services make the online purchase of auction merchandise more convenient for consumers. For auction businesses, we believe that this technology can increase the size of auction audiences by increasing exposure to auctions, increase the final hammer price for merchandise sold and lower overall transaction costs.

We also developed technology that manages the "back-end" of the auction, enabling auctioneers to run auctions more efficiently, providing them with tools to automate invoicing, collect payment, track lot popularity, view bidder statistics and demographics, and print graphic reports.

iCollector

Prior to May 21, 2009, we broadcast auctions live over the Internet through our subsidiary, iCollector.com Technologies Ltd., using our proprietary technology platform. iCollector represents antique, fine art and premium collectible auction houses and galleries, whose inventories typically include fine and decorative arts, modern and contemporary art, memorabilia, wine, fine furniture and collectibles that are obtained primarily from Europe, Canada and the United States. iCollector catalogues its client's inventory and features it on its website located at www.icollector.com. iCollector also provides back-end auction-related products and services to galleries and auction houses for a fee, so that the auctions can be conducted more efficiently.

During the 2008 fiscal year, iCollector's operations declined by approximately 35%, facilitating 891 auction sessions. Revenue from iCollector's operations totaled $521,793 during the 2008 fiscal year, or approximately 19% of all the revenue we earned and $129,697, or approximately 9% of all the revenue we earned through September 30, 2009. The fee charged to our auction house clients was approximately $1,500 per auction plus approximately 5% of the value of the merchandise sold online, which we shared equally between us and eBay until December 31, 2008.

On May 21, 2009 Ableauctions and iCollector signed a License Agreement with ABC Live Auction World Ltd. ("ABC"). The effective date of the License Agreement was May 15, 2009. ABC is an employee-owned entity not otherwise affiliated with us. Under the terms of the License Agreement, ABC has sublicensed all of iCollector's auction and auction-hosting related technology, domain names, intellectual property and various other assets (including those assets used in the operations of NAALive) in consideration of the greater of 50% of net profits realized from ABC's operations or 10% of ABC's net auction revenue. The sublicense is non-exclusive. We continue to own the licensed assets and will own any enhancements made to them by ABC. ABC has also hired all of iCollector's employees as of the effective date and began performing iCollector's obligations under its auction and auction-hosting agreements. If we complete a sale or license of the iCollector business, then ABC will receive a minimum of 25% of the consideration payable to us upon completion of the transaction.

NAALive

In the past, we partnered with the National Auctioneers Association ("NAA") to serve as its exclusive online auction contractor to broadcast business and industrial equipment auctions for its members on the website www.NAALive.com. We promoted these services to NAA's estimated 7,000 members with technology that we developed.

During the 2008 fiscal year, our NAALive operations declined by approximately 31% and facilitated 188 auction sessions. Revenue from these operations totaled $177,203, or approximately 6% of all the revenue we earned during the 2008 fiscal year. The fee charged to our auction house clients was approximately $300 per auction plus approximately 2.0% of the value of the merchandise sold online. We paid the NAA up to 20% of the fees we collected for joint marketing. As noted above, ABC Live Auction World now hosts the NAALive auctions and our relationship with NAALive has been terminated.

Point of Sale (POS) Software and Services

We also earned revenues from our subsidiary, Rapidfusion Technologies, Inc. Rapidfusion has developed point-of-sale software and services for retailers. Users of these products and services may select from the following packages:

- The Rapidfusion POS (Point-of-Sale) 2007 Professional Single-User (Retail $3,000) is a full-featured product for medium to large stores needing a comprehensive, standalone point of sale product. This software may be upgraded to add other users, as necessary.

- The Rapidfusion POS (Point-of-Sale) 2007 Professional Multi-User (Retail $3,750) is for medium to large stores requiring two or more terminals (for example, one terminal for inventory management and one terminal for sales) in one complete point of sale product.

- The Rapidfusion POS (Point-of-Sale) 2007 Professional Head Office Solution (Retail $4,000) is designed to manage multiple store branches from one central terminal. This product includes functionality of warehouse or store split-purchase orders, full inventory control with inter-store transfers, customer database management, and the ability to consolidate and track all sales data for multiple store branches.

Revenue from sales of Rapidfusion's products totaled $302,585, or approximately 11% of all the revenue we earned during the 2008 fiscal year.

On June 8, 2009 Ableauctions and RapidFusion signed a License Agreement with Pacific Amber Technologies Inc. ("PATI"). The effective date of the License Agreement was June 1, 2009. PATI is an employee-owned entity not otherwise affiliated with us. Under the terms of the License Agreement, PATI has sublicensed all of RapidFusion's point of sale technology and its source code, domain names, intellectual property and various other assets used in the operations of Rapidfusion's business in consideration for 50% of net profits realized from PATI's operations or 5% of PATI's gross profits from its point of sale revenues, whichever is greater.. The sublicense is non-exclusive. We continue to own the licensed assets and will own any enhancements made to the licensed assets by PATI or any of its affiliates in the future. PATI also hired all of Rapidfusion's employees as of the effective date and has begun performing Rapidfusion's obligations under its contracts and warranty agreements. If we complete a sale or license of the RapidFusion business, then PATI will receive a minimum of 25% of the consideration payable to us upon completion of the transaction.

Real Property Development

In an effort to expand our business we created Axion Investment Corporation, referred to in this discussion as "Axion", to develop real estate and make short term loans.

Gruv Development

Through Axion, we developed a vacant parcel of land located at 9655 King George Highway. We refer to this development as Phase I of the Gruv Development in this report. We acquired the property in August 2005 for $1,270,000.

We developed the property by improving it with a retail facility of approximately 4,326 square feet and with a residential complex consisting of 111 condominiums. We expect revenue of approximately $22.1 million ($25.4

million CAD) from the sale of the commercial and residential units and we estimate that the cost to develop the property will be approximately $18.4 million ($21.2 million CAD).

We entered into agreements to pre-sell 100% of the 111 residential condominiums prior to construction and have collected approximately $1.92 million ($2.34 million CAD) in deposits that are being held in trust with Macdonald Realty Ltd. We paid $341,446 ($366,749 CAD) to Macdonald Realty for its services to date. We have budgeted an additional $600,082 ($689,750 CAD) to be paid to Macdonald Realty for the balance of commissions and bonuses due upon the successful completion of the sales and the final transfer of property title.

We received a building permit from the City of Surrey to develop the property and we have advanced refundable performance bonds for service and work totalling $320,558 ($384,833 CAD) as commitment for the development of Phase I.

On February 15, 2008 we entered into a Construction Management Agreement with Cantera Management Group Ltd. ("Cantera") to manage the development of Phase I. In consideration of these services, we have agreed to pay Cantera a fixed fee of $454,024 ($553,000 CAD) over the term of the contract calculated on a percentage of completion basis.

On March 12, 2008, we obtained an updated conditional credit facility in the amount of $14.28 million ($16.42 million CAD) from the Royal Bank of Canada for the development of Phase I.

The credit facility was secured by guarantees from Axion and Ableauctions, by a general security agreement covering all of the assets of Axion and by the property. The advances accrue interest at the prime rate announced by Royal Bank of Canada plus 0.75% per annum. A fee of $47,073 was paid to the Royal Bank of Canada for arrangement of this credit facility. Of this amount, $35,378 was paid during the 2007 fiscal year with the remaining balance paid in the first quarter of 2008.

The credit facility was granted subject to a number of conditions, including appraisal of the project, the submission of an environmental report, the submission of a soils report, confirmation of permits and approvals, engagement of a project monitor, submission of a schedule of pre-sales contracts, the purchase of insurance, a cash investment by Axion of approximately $4.75 million ($4.84 million CAD) toward the development including the cost of the land, and fixed price contracts for at least 50% of Phase I's hard construction costs prior to the initial draw and 80% by December 2008. By November 10, 2008, Axion had fulfilled all the obligations of the construction credit facility. The credit facility was paid in full in November 2009.

Construction Progress as of September 30, 2009 ($ CAD):

Project costs of work completed to date:	$19,171,505
Project costs of remaining work:	$2,086,264
Estimated total project costs:	$21,257,869
Outstanding principal balance of loan from the Royal Bank of Canada:	$14,334,636

Construction Progress as of November 16, 2009 ($ CAD):

Project costs of work completed to date:	$20,432,357
Project costs of remaining work:	$1,455,938
Estimated total project costs:	$21,257,869

Outstanding principal balance of loan from the Royal Bank of Canada:	$0

In addition to the Royal Bank of Canada credit facility, we have from time-to-time borrowed funds from our President and Chief Executive Officer, Abdul Ladha, to cover cash shortfalls that occasionally result from timing issues that temporarily prevented us from borrowing against the credit facility. All of these loans have been repaid and no new loans have been made.

On April 28, 2008, construction of Phase I commenced and on September 30, 2009 the construction of the Gruv Development was substantially complete and a conditional occupancy permit was received from the City of Surrey. On November 6, 2009, the final occupancy permit was received and as of November 16, 2009, 89 of the 111 purchase contracts have been successfully closed, funds totaling $19,855,238 CDN have been received and as notes above, the credit facility provided by the Royal Bank of Canada has been repaid.

On October 6, 2008, we entered into a Development Agreement to acquire a 50% interest in Surrey Central City Holdings Ltd. ("Surrey"), a private company controlled by Mr. Ladha. Surrey owns four properties adjacent to Phase I of our Gruv Development. Through Surrey, we intend to explore the potential of developing a second phase of this project by improving Surrey's properties with a residential complex consisting of 76 to 138 condominiums. We believe that such a development could potentially generate revenue of approximately $16 million to $30 million before expenses and income splitting.

Under the terms of the Development Agreement, we acquired a 50% interest in the capital stock of Surrey from Surrey's sole shareholder, Bullion Reef Holdings Ltd. ("Bullion"), an entity controlled by Mr. Ladha and owned by the Ladha Family Trust. While Mr. Ladha is not a beneficiary of the Ladha Family Trust, members of his family are beneficiaries. The purchase price for the 50% interest was $1,347,440, subject to adjustment. According to the Development Agreement, the purchase price could be increased to reflect the increase in value that will accrue to the Property if Surrey decides to develop the Property with a 6-storey complex rather than a 4-storey complex. The purchase price could also be increased to reflect the increase in value that would accrue to the Property if Surrey were able to acquire a lot adjacent to the Property commonly known as 13509 96th Avenue, which was owned by an unrelated third party. On October 20, 2008, Surrey entered into an agreement to purchase the lot for approximately $700,000 and the acquisition was completed on December 15, 2008. As a result, in accordance with the terms of the Development Agreement, the purchase price for the capital stock of Surrey was adjusted to $1,867,085 based on an increase in value that resulted from the purchase of the 5th lot, located adjacent to the property.

We agreed to pay $673,720 of the purchase price in cash and the remainder with a promissory note due in one year bearing interest at the prime rate as announced by the Royal Bank of Canada plus 2% per annum. The promissory note also includes a provision allowing Bullion to convert up to $1 million of the principal amount, and any interest accrued thereon, into shares of our common stock at a price of $0.432 per share. The total number of shares that could be issued if Bullion converted up to $1 million of principal and interest accrued thereon would total 2,465,277 shares. On April 30, 2009 Bullion assigned the promissory note to Abdul Ladha and his spouse, Hanifa Ladha. On July 27, 2009 Mr. and Mrs. Ladha each exercised their conversion rights and each received 1,204,021 shares of our common stock, which represented a conversion by each of them of $500,000 in principal amount and $20,136.99 in accrued interest. As of November 16, 2009 the promissory note had been paid in full.

We had the right, for a period of one year, to sell back our interest in Surrey for the original purchase price, less one-half of the expenses incurred by Surrey in its efforts to develop the Property, in the event financing or approval of a preliminary development plan cannot be obtained, however, this right was not exercised and it expired on October 6, 2009.

The Development Agreement also anticipates that Mr. Ladha and Overture Development Corporation will provide services to Surrey in developing the Property. These services include managing the build-out; working with government agencies to obtain approval of the development and obtaining the plans, permits and approvals required to complete the build-out; providing contractor's services, including liaising with various trades to coordinate construction of the build-out and supervising and directing construction of the build-out; preparing and implementing a marketing plan; providing the construction bonds; and obtaining financing and home warranty coverage for the development. Mr. Ladha and Overture Development Corporation will jointly receive 25% of the net profit from Phase I and 12.5% of the net profit from the development of the property owned by Surrey for providing these services.

Township Holdings Ltd.

Through Township Holdings Ltd., Axion also holds a 1/3 interest in two vacant lots located in Langley, British Columbia. The lots are comprised of approximately 4.72 acres and are commonly known as 20514 - 80th Avenue and 20542 - 80th Avenue, Langley, British Columbia V3T 2V3. The properties were purchased on August 14, 2006 for a purchase price of $3.42 million and are currently being offered for sale.

Loans

Axion also provides short term loans to various businesses and individuals in Canada. The loans typically have terms of one year, earn interest at the rate of approximately 10% and are secured by real estate, general security agreements and personal guarantees, as appropriate. At September 30, 2009, Axion had approximately $1,907,229 outstanding in loans. Subsequent to September 30, 2009, $1,890,000 of the loans outstanding was repaid and on November 2, 2009 we made a purchase money loan in the amount of 2,566,037 ($2,720,000 CAD) to the purchaser of the real property located at 1963 Lougheed Highway, Coquitlam, British Columbia. Therefore, at November 16, 2009, Axion had approximately $2,708,065 outstanding in loans.

Other (Investment)

Investment of our cash and marketable securities is managed by Ableauctions.

Competition

Online Liquidation Companies

We face competition from traditional auctioneers and from online auction and liquidations companies that use the Internet to sell or auction surplus capital assets, equipment, and other consumer goods. The Internet auction and liquidation industry is rapidly evolving, and intensely competitive, and we expect competition to intensify in the future. A variety of auction and liquidation web sites are presently available on the Internet that are dedicated to facilitating person-to-person and business-to-person transactions.

Most of our current and potential competitors, such as Overstock.com and Amazon.com, have larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we do. Our larger competitors may be able to secure alliances with customers and affiliates on more favorable terms, devote greater resources to marketing and promotional campaigns and devote substantially more resources to systems development than we do. In addition, new technologies and the expansion of existing technologies may increase the competitive pressures on us.

We do not currently represent a significant competitive presence in the on-line liquidation industry.

Real Estate Development

The real estate industry is highly competitive, with developers and homebuilders competing for desirable properties, financing, raw materials and skilled labor. We do not represent a significant competitive presence in the real estate development industry and we do not believe that we will ever have a competitive presence in that industry. We have only one real estate development project and one real estate development project in the planning stage.

Government Regulation

Online Liquidation Companies

There are currently few laws or regulations that directly apply to access to, or commerce on, the Internet. Governing bodies have, and may continue to, adopt laws and regulations governing issues such as user privacy on the Internet and the pricing, characteristics, and quality of products and services offered over the Internet. It is also possible that government authorities will adopt sales or other taxes involving Internet businesses. The passage of any such laws may make the cost of doing business much higher for us, which may adversely impact our results of operations. Currently we have no significant expenses associated with legal or regulatory compliance.

Real Estate Development

To date, our real estate development activities have been centered in the general area of Vancouver, British Columbia. In order to develop property in British Columbia, we must comply with various regulations promulgated by the British Columbia Superintendent of Real Estate. These regulations include, but are not limited to, the Real Estate Development Marketing Act of British Columbia. To date, we have not found these regulations burdensome to comply with.

Intellectual Property

We developed the majority of the software used in the on-line auction and point-of-sale businesses internally. We have taken measures to protect our intellectual property, ranging from confidentiality and non-disclosure agreements for contractors and employees to deploying a modular development schedule where individual modules of software developed or coded by employees or contractors have no stand-alone benefits until they are integrated with the other modules.

We have registered several internet domain names.

When we could, we entered into confidentiality and invention assignment agreements with our employees and contractors, and nondisclosure agreements with parties with which we conduct business in order to limit access to and disclosure of our proprietary information. There can be no assurance that these contractual arrangements or the other steps we take to protect our intellectual property will prove sufficient to prevent misappropriation of our technology or to deter independent third party development of similar technologies.

Employees

As of November 16, 2009 we have a total of 8 people employed, all of whom are management or administrative staff. From time to time, to further reduce expenses, we may employ independent consultants or contractors. No collective bargaining units represent our employees. We believe our relations with our employees are good.

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Dividends

Liquidating Distribution - Assets Relating to Ableauctions Business

On July 17, 2009, in connection with the proposed Transactions, our board of directors authorized management to create a plan of liquidation pursuant to which our assets, after the payment of our liabilities, will be distributed to a Liquidating Entity for the benefit of our shareholders as of a certain record date to be determined by the board of directors. This liquidating distribution is conditioned upon the closing of the Acquisition. For further information concerning the liquidating distribution, please refer to the section in the proxy statement entitled "Proposal 2 – Approval of Terms of Plan of Liquidation".

Dividend Policy of the Company Following the Acquisition

The Company has not paid any cash dividends on its common stock in the past. We anticipate that any earnings generated from future operations will be used to finance our operations, and except for the distribution discussed above, we do not anticipate that the Company will pay dividends on a regular basis. No restrictions exist upon the Company's ability to pay dividends in the future.

Legal Proceedings

There are no legal proceedings pending against the Company.

Description of Business After Consummation of Acquisition

Following consummation of the Acquisition, the Company will cease operating the Ableauctions business, and the business of SinoCoking will be continued and will constitute the principal business and operations of the Company. A description of the business of SinoCoking is included in the section immediately below.

ABOUT SINOCOKING

Description of Business

Overview

Top Favour Limited, a British Virgin Islands Company (“Top Favour”) is a holding company that, through its wholly owned subsidiary Pingdingshan Hongyuan Energy Science and Technology Development Co., Ltd. (“Hongyuan”), controls Henan Province Pingdingshan Hongli Coal & Coke Co., Ltd. (“Hongli”), a coal and coal-coke producer in Henan Province in the central region of the People’s Republic of China (“PRC” or “China”). Hongli produces coke, coal, coal byproducts and electricity through its branch operation, Baofeng Coking Factory, and its wholly owned subsidiaries, Baofeng Hongchang Coal Co., Ltd. and Baofeng Hongguang Environment Protection Electricity Generating Co., Ltd, which we refer to collectively as the “Baofeng Subsidiaries”. We refer to Hongli and the Baofeng Subsidiaries collectively as “Hongli Group”. Top Favour controls Hongli Group through contractual arrangements with Hongli Group and its owners. These contractual arrangements provide for management and control rights, and in addition entitle Top Favour to receive the earnings and control the assets of Hongli Group. Other than the interests in these contractual arrangements, neither Top Favor nor Hongyuan has any equity interests in Hongli Group. We refer to Top Favour, Hongyuan and Hongli Group collectively as “SinoCoking”.

Corporate History of SinoCoking

Top Favour is a holding company that was incorporated in the British Virgin Islands on July 2, 2008. Since incorporation, Top Favour has not conducted any substantive operations of its own except to serve as a holding company that owns 100% of the equity interest of Hongyuan.

Hongyuan is a PRC limited liability company and the wholly owned subsidiary of Top Favour. Hongyuan was approved as a wholly-owned foreign enterprise (“WFOE”) by the Henan provincial government on February 26, 2009 and formally organized on March 18, 2009. Other than activities relating to its contractual arrangements with Hongli, Hongyuan has no separate operations of its own.

Hongli is a limited liability company organized in the PRC on July 5, 1996. Hongli holds the government licenses and approvals necessary to operate SinoCoking’s businesses in China. Hongyuan does not own any equity interests in Hongli, but controls and receives the economic benefits of its business operations through contractual arrangements. In turn, Top Favour is the 100% owner and parent company of Hongyuan.

Baofeng Coking Factory (“Baofeng Coking”) was established on May 31, 2002 as a branch of Hongli. Baofeng Coking produces SinoCoking’s cokes.

Baofeng Hongchang Coal Co., Ltd. (“Hongchang Coal”) is a limited liability company that was organized in the PRC on July 19, 2007. Hongchang Coal is a wholly owned subsidiary of Hongli and operates SinoCoking’s coal mining operations.

Baofeng Hongguang Power Co., Ltd. (“Hongguang Power”) is a limited liability company that was organized in the PRC on August 1, 2006. Hongguang Power is also wholly owned by Hongli and operates SinoCoking’s electricity generating operations.

The Current Corporate Structure of SinoCoking

Contractual Arrangements with Hongli Group and its Owners

Top Favour's relationships with Hongli Group and its owners are governed by a series of contractual arrangements, through which Top Favour holds and exercises ownership and management rights over the Hongli Group. Neither Top Favour nor Hongyuan owns any direct equity interest in Hongli Group. According to a legal opinion issued by PRC counsel to SinoCoking, the contractual arrangements constitute valid and binding obligations of the parties to such agreements, and are enforceable and valid in accordance with the laws of the PRC.

On March 18, 2009, Hongyuan entered into the following contractual arrangements with Hongli Group and its owners:

Consulting Services Agreement. Pursuant to the consulting services agreement, Hongyuan provides the Hongli Group companies with general consulting services relating to their business management and operations on an exclusive basis (the "Services"). Additionally, Hongyuan owns any intellectual property rights that are developed during the course of providing the Services. Each Hongli Group company pays a quarterly consulting service fee in Renminbi ("RMB") equal to its net income for such quarter to Hongyuan. The consulting services agreement is in effect unless and until terminated by written notice of either party in the event that: (a) the other party causes a material breach of the agreement, provided that if the breach does not relate to a financial obligation of the breaching party, that party may attempt to remedy the breach within 14 days following the receipt of the written notice; (b) the other party becomes bankrupt, insolvent, is the subject of proceedings or arrangements for liquidation or dissolution, ceases to carry on business, or becomes unable to pay its debts as they become due; (c) Hongyuan terminates its operations; (d) Hongli Group's business license or any other approval for its business operations is terminated, cancelled or revoked; or (e) circumstances arise which would materially and adversely affect the performance or the objectives of the consulting services agreement. Additionally, Hongyuan may terminate the consulting services agreement without cause.

Operating Agreement. Pursuant to the operating agreement, Hongyuan provides guidance and instructions on each Hongli Group company's daily operations, financial management and employment issues. In addition, Hongyuan agrees to guarantee the performance of each Hongli Group company under any agreements or arrangements relating to its business arrangements with any third party. In return, the owners of Hongli Group must designate Hongyuan's candidates as their representatives on each Hongli Group company's board of directors, and Hongyuan has the right to appoint senior executives of each Hongli Group company. Additionally, each Hongli Group company agrees to pledge its accounts receivable and all of its assets to Hongyuan. Moreover, each Hongli Group company agrees not to engage in any transactions that could materially affect its assets, liabilities, rights or operations without Hongyuan's prior consent, including without limitation, incurrence or assumption of any indebtedness, sale or purchase of any assets or rights, incurrence of any encumbrance on any of its assets or intellectual property rights in favor of a third party or transfer of any agreements relating to its business operation to any third party. The term of this agreement is the maximum period of time permitted by law unless sooner terminated by any other agreements reached by all parties or upon a 30-day written notice from Hongyuan. The term may be extended only upon Hongyuan's written confirmation prior to the expiration of the agreement, with the extended term to be mutually agreed upon by the parties.

Equity Pledge Agreement. Under the equity pledge agreement, the owners of Hongli Group pledged all of their equity interests in Hongli Group to Hongyuan to guarantee each Hongli Group company's performance of its obligations under the consulting services agreement. If a Hongli Group company or the owners breach their respective contractual obligations, Hongyuan, as pledgee, will be entitled to certain rights, including, but not limited to, the right to vote with, control and sell the pledged equity interests. The owners of Hongli Group also agreed that upon occurrence of any event of default, Hongyuan shall be granted an exclusive, irrevocable power of attorney to take actions in the place and stead of the owners to carry out the security provisions of the equity pledge agreement, and take any action and execute any instrument as required by Hongyuan to accomplish the purposes of the agreement. The owners of Hongli Group agreed not to dispose of the pledged equity interests or take any actions that would prejudice Hongyuan's interest. This agreement will expire two years from the fulfillment of Hongli Group's obligations under the consulting services agreement.

Option Agreement. Under the option agreement, the owners of Hongli Group irrevocably granted Hongyuan or its designee an exclusive option to purchase, to the extent permitted under Chinese law, all or part of the equity interests in Hongli Group for the cost of the owners' initial contributions to the registered capital of each Hongli Group company or the minimum amount of consideration permitted by applicable Chinese law. Hongyuan or its designee has sole discretion to decide when to exercise the option, whether in part or in full. The term of this agreement is ten years from January 1, 2006 and may be extended prior to its expiration by written agreement of the parties.

Proxy Agreement. Pursuant to the proxy agreement, the owners of Hongli Group irrevocably granted a Hongyuan designee the right to exercise all voting rights of the owners with respect to their ownership interests in accordance with applicable laws and each Hongli Group company's governing charters. This agreement may not be terminated without the unanimous consent of all parties, except that Hongyuan may terminate the proxy agreement with or without cause upon 30-day written notice to the owners.

Transfer of share ownership in Top Favour (BVI)

SinoCoking's President, Chief Executive Officer and Chairman, Mr. Jianhua Lv, does not hold any shares of Top Favour, however, Mr. Lv has the right to potentially acquire up to 51% of Top Favour. On July 6, 2009, Mr. Jianhua Lv transferred his shares of Top Favour to Honour Express Limited, a British Virgin Islands international business company which is solely owned by Mr. Shaohua Tan, a Singapore citizen. As a result of the share issuance and share transfer, Top Favour (BVI) has 10,000 ordinary shares outstanding, 51% of which is held by Honour Express Limited.

Mr. Shaohua Tan and Mr. Jianhua Lv further entered into a Call Option Agreement ("Incentive Option Agreement"). To provide incentive to Mr. Lv in connection with the development of SinoCoking's business, it was agreed that Mr. Lv shall receive 100% of the shares of Honour Express within the next three years, subject to certain contingencies as set forth in the Incentive Option Agreement.

Under the Incentive Option Agreement, Mr. Lv shall serve as CEO and Chairman of Top Favour (or its successor) for not less than a 5 year period; and in anticipation of Mr. Lv's continuous contributions to the Hongli Companies including Top Favour, WFOE (Hongyuan), Hongli and its subsidiaries, if the companies meet certain revenue thresholds, Mr. Lv shall have the right and option to acquire the shares of Honor Express Limited at nominal price. In addition, the Incentive Option Agreement also provides that Mr. Tan shall not dispose any of the shares of Honor Express without Mr. Lv's consent.

Principal Products

SinoCoking's principal product is coke, which it produces from coal that it mines as well as coal that it purchases. SinoCoking produces and sells two types of coke, metallurgical coke primarily used in steel manufacturing and chemical coke (also known as gas coke in the PRC) used mainly for synthesis gas production. SinoCoking also sells coal, including raw coal, "washed coal" (which is processed coal that is ready for coking), and "medium coal" and coal slurries (both of which are byproducts of the coal-washing process). SinoCoking also uses byproducts from its coke manufacturing process to produce and sell coal tar. During the fiscal year ended June 30, 2009, SinoCoking produced approximately 154,631 metric tons ("tons") of coke, 229,480 tons of raw coal and 7,646 tons of coal tar.

Description of Operations

Overview

SinoCoking is based in Henan Province in the central part of China, a coal-rich region of the country. SinoCoking's operations are located in Baofeng County, a part of Pingdingshan Prefecture south of the provincial capital of Zhengzhou. SinoCoking extracts coal from a mine in Zhaozhuang Village in Baofeng County, and trucks the coal to its plant site in the adjacent Hangzhuang Village, where the bulk of the coal is processed and used by SinoCoking to make coke. The finished coke is loaded onsite onto railcars on SinoCoking's private rail line and transported to customers through the connected state-owned rail system. Castoffs of the coal-washing process are sold to industrial end users and traders primarily as fuel for electricity and heat. Coal tar is extracted from the gas emitted during the coking process and sold, and the gas is then piped into an onsite electric plant to produce electricity to power SinoCoking's operations. Excess electricity is sold to the state-owned electricity grid.

Coal Mining Operation

Through its subsidiary Hongchang Coal, SinoCoking currently operates an underground coal mine ("Baofeng mine") that is accessible by public roads. Coal extracted from Baofeng mine is bituminous coal, and based on historical mining activity, approximately 8% of the coal extracted typically possesses properties that meet the requirements for coking (metallurgical) coal, however, this percentage varies depending on mine conditions.

The site of Baofeng mine originally encompassed three separate coal mines: Yongshun, Tanglishu and Liangshuiquan, which were separately operated by parties unrelated to SinoCoking pursuant to resource mining permits effective from January 2003 through May 2007. In July 2005, SinoCoking acquired the resource mining permits and the mining rights to the three mines and assumed mining operations. In July 2007, the Henan provincial government granted Hongchang Coal a resource mining permit for Baofeng mine, encompassing the three original coal mines.

Baofeng mine, including the mine site and the underlying coal and other minerals, is owned by the PRC. Accordingly, the amount of coal that SinoCoking can extract from the mine is based on a mining right issued by the Henan Province Department of Land and Resources. The mining right is issued pursuant to a reserves appraisal report submitted by government authorized mining engineers, and the mining right is issued upon approval of such appraisal report by the Henan Province Department of Land and Resources. The amount of coal that can be extracted under the mining right represents what SinoCoking can economically and legally extract under applicable PRC law and regulations and as determined by the Department of Land and Resources.

Under SinoCoking's current mining rights, SinoCoking is permitted to extract 2,479,000 tons of coal from Baofeng mine, provided that the coal underlying the mining rights is fully paid for within six years and two months from the issuance date unless specific good cause exists for an extension. The price is determined on a per ton basis, and is subject to change based on the prevailing market price as determined by the Henan Province Department of Land and Resources. As of the year ended June 30, 2008, SinoCoking has paid for 1,215,100 tons out of the 2,479,000 tons to which it has mining rights.

In addition to the mining right, SinoCoking operates the Baofeng mine pursuant to a resource mining permit issued by the Henan Province Department of Land and Resources, which specifies the coordinates of the mining area and the mine's designated annual production capacity. The resource mining permit for the Baofeng mine estimates that the mine's capacity is 150,000 tons per year based on mine operating conditions.

Coal is extracted from Baofeng mine using the "room and pillar" method, in which a coal stratum is divided into horizontal planes and the coal is removed from each plane while leaving "pillars" of un-mined materials as supports, working from the uppermost plane down. Each plane is further divided into grids to determine the optimal pillar placements. Drilling and blasting techniques are used to extract the coal.

All raw coal is loaded and transported by a chain conveyor into crates which are carried out to the surface by an electrical winch. Each crate carries approximately 2.5 tons, and approximately 400 crates are carried to the surface during each 8-hour mining shift. Rock material is used for floor ballast with the excess sent to the surface for disposal. Air compressors are provided for underground air tool use. Electrical power is supplied internally from SinoCoking's own power stations through state-owned power lines, and supplied to the underground work site through a double-circuit cable designed to mitigate and circumvent potential power supply disruptions.

Normal water inflow into the mine is controlled by a system of ditches, sumps, pumps and drainpipes installed throughout the mine tunnels. The mine's ventilation system includes an exhaustive fan on the surface of the main incline. Auxiliary fans are used as needed. The present mine fan is capable of satisfying ventilation demands of the mining operation.

Baofeng mine's annual coal production volumes for the years ended June 30, 2006 to 2009, are as follows:

Fiscal Year	Annual Production (Tons)
2006	131,148
2007	103,832
2008	200,188*
2009	245,773

* While production volume during fiscal 2008 exceeded the amount specified on SinoCoking's coal production permit, such practice is common in Henan Province, and was accepted by the government because the mining right for the extracted coal and taxes from sales of such coal were paid.

The extracted coal is trucked to SinoCoking's plant located approximately two kilometers from the mine site and processed at SinoCoking's coal-washing facility for washing and sorting. Samples are taken prior to and after the coal-washing to analyze and determine coking readiness based primarily on moisture, ash, sulfur and volatile contents. Out of the washed coal mined and produced by SinoCoking, typically a portion is sold to customers as washed coal, and certain portions of washed coal, provided that it meets certain chemical and thermal requirements, is used by the company to make coke.

Coal Trading

In addition to mining coal, SinoCoking also engages in coal trading for profit. Depending on market conditions, SinoCoking may broker coal from small independent mine operators in its surrounding areas who may lack the means to transport coal from their mine sites or are otherwise unable to sell their coal due the size of their operations. If purchased coal meets requirements for coking, SinoCoking will generally use it to produce coke; otherwise, it holds and sells the coal when market conditions are favorable. For the year ended June 30, 2008, SinoCoking acquired approximately 628 tons of coal from these small mines to trade.

Washed Coal

SinoCoking operates a coal-washing facility at its plant site that is capable of processing up to 750,000 tons of coal per year. Under current Chinese coking industry standards, raw coal with no more than 1% sulfur content is deemed suitable for coking, although other factors are also considered. Thus, in addition to low sulfur content, the industry preference is for lower ash content and volatile matter. While much of the coal from the Baofeng mine is generally suitable for coking based on these parameters, the coal must nevertheless be washed before it is ready for the coking ovens, in order to reduce ash and sulfur content, and to increase thermal value. SinoCoking uses a water-based jig washing process, which is prevalent in China. SinoCoking uses both underground and recycled water for its coal washing operations. Sorting machines that can process up to 600 tons per hour sort the washed coal according to size.

Approximately 1.33 - 1.38 tons of raw coal yield 1 ton of washed coal. The bulk of the washed coal produced is intended for SinoCoking's coking plant, although on occasion it sells small amounts if the pricing is favorable. In addition to washed coal, the coal-washing process produces two byproducts:

(1) "Medium" coal, a PRC coal industry classification, is coal that does not have sufficient thermal value for coking, and is mixed with raw coal and even coal slurries, and sold for home and industrial heating purposes; and

(2) Coal slurries, sometimes called coal slime, are the castoffs and debris from the washing process. Coal slurries can be used as a fuel with low thermal value, and are sold "as is"

or mixed with “medium” coal.

SinoCoking’s annual production volumes of washed coal and the two byproducts of the coal-washing process for the years ended June 30, 2006 to 2009, are as follows:

Annual Production (Tons)

Fiscal Year	Washed Coal *	Medium Coal	Coal Slurries
2006	98,574	10,124	20,044
2007	208,317	9,187	6,269
2008	297,120	11,740	11,442
2009	243,958	17,523	16.051

Coke Manufacturing

Coke is a hardened, solid carbonaceous residue derived from low-ash, low-sulfur bituminous coal from which the volatile constituents are driven off by baking in an oven without oxygen at high temperatures so that the fixed carbon and residual ash are fused together. Volatile constituents of the coal include water, coal-gas, and coal-tar. SinoCoking produces two types of coke: metallurgical coke and chemical coke.

Metallurgical coke is primarily used for steel manufacturing. Chemical coke, commonly referred in China to as gas coke, is mainly used in China to produce synthesis gas, a gas mixture largely of hydrogen and carbon monoxide that is combustible and often used as a fuel source or as an intermediate for the production of other chemicals including methanol, formaldehyde and ammonia. China has exacting national standards for coke, based upon a variety of metrics, including most importantly, ash content, volatilization, caking qualities, sulfur content, mechanical strength and abrasive resistance. Typically, metallurgical coke must have more than 80% fixed carbon, less than 15% ash content, less than 0.8% sulfur content and less than 1.9% volatile matter. Chemical coke, on the other hand, must have more than 80% fixed carbon, less than 18% ash content, less than 1% sulfur content and less than 3% volatile matter. According to national standards, metallurgical coke is classified into three grades – Grade I, Grade II and Grade III, with Grade I being the highest quality – and chemical coke is its separate grade. Generally, customers do not provide specifications for coke, except that SinoCoking may occasionally make requested adjustments, for instance to moisture content, as requested by customers from time to time. The amount of each type of coke that SinoCoking produces is based on market demands, although historically its customers have only required Grade II and III metallurgical coke. For the year ended June 30, 2008, approximately 39.0% of the coke produced by SinoCoking was Grade II, 23.4% was Grade III, and the balance, 37.6%, was chemical coke.

Metallurgical coke and chemical coke are produced using an identical manufacturing process. SinoCoking produces coke onsite from a series of three WG-86 Type coke ovens lined up in a row with an annual capacity of 250,000 tons. SinoCoking's metallurgical coke has typical characteristics of 85% fixed carbon, less than 12% ash, less than 1.9% volatile matter and less than 0.7% sulfur. SinoCoking's chemical coke, on the other hand, has typical characteristics of more than 80% fixed carbon, less than 18% ash, less than 3% volatile matter and less than 0.8% sulfur.

Coal that is either extracted from the Baofeng mine or purchased by SinoCoking and processed at its coal-washing facility is sent to a coal blending room where it is crushed and blended to achieve an optimal coking blend. Samples are taken from the coal blend and tested for moisture, chemical composition and other properties. The crushed and blended coal is transported by conveyor to a coal bin to be fed into the waiting oven below. After processing through the three temperature-controlled ovens at temperature of 1200°C (2,192 °F), hot coke is pushed out of the oven chamber onto a waiting coke cart, transported to an adjacent quench tower where it is cooled with water spray, and hauled to a platform area adjacent to SinoCoking's private rail line to be air-dried. Coke samples are taken at several stages during the process and analyzed in the company's testing facility, and data is recorded daily and kept by technicians. After drying, the coke is sorted according to size to meet customer requirements.

SinoCoking's annual production volumes of metallurgical coke and chemical coke for the years ended June 30, 2006 to 2009, are as follows:

Annual Production (Tons)

Fiscal Year	Metallurgical Coke	Chemical Coke	Total
2006	48,321	23,699	72,020
2007	88,364	61,800	150,164

2008	147,773	78,145	225,922
2009	143,092	11,550	154,648

Substantially all of the coal from Baofeng mine that is suitable for coking is used to make coke. The amount of metallurgical-quality coal supplied by Baofeng mine, however, is often not sufficient for SinoCoking's full production capacity, and it regularly sources from third parties to meet the metallurgical coal needs for its coking plant.

Coke Emissions Recycling

During the coking process, the coal's volatile contents - including water and coal-tar - are driven off in gaseous forms when heated in the coke oven. Rather than allowing this coal gas to be emitted into the environment, SinoCoking captures the coal gas for recycling. In the recycling process, coal gas is captured and piped into a cooling tower, where coal tar is separated out of the gas by condensation, and sold to dealers as a fuel byproduct (see section below entitled "Coal Byproducts"). The remaining purified coal gas is then used by SinoCoking to generate electricity, by burning it as a fuel to generate steam that drives steam-powered turbines.

Coal Byproducts

As described above, SinoCoking produces coal tar from the condensation of raw coal gas. Coal tar is an ingredient of coal tar pitch used in the aluminum industry, and can be further refined to create chemicals and additives such as fine phenol, fine naphthalene and modified pitch that can be used as raw material in making concrete sealant, wood treatment compounds, agricultural pesticides and other chemical products. The coal tar industry in China is currently fragmented and populated with many small producers.

SinoCoking's annual production volumes of coal tar for the years ended June 30, 2006 to 2009, are as follows:

Fiscal Year	Annual Production (Tons)
2006	3,307
2007	7,330
2008	10,870
2009	7,646

Other coal byproducts of the coking process include benzene, sulfur-based chemicals and methanol, which SinoCoking presently does not produce but plans to do so in the future.

Electricity Generation

After coal tar is separated, the resulting purified coal gas is piped to two onsite 3,000-kilowatt power stations (the Daying power station and the Sunling power station) to generate electricity, each of which has an estimated maximum generating capacity of 26,280,000 kilowatts per year. The electricity that is generated is used primarily to power SinoCoking's operations at the plant and mine site. SinoCoking estimates that the replacement cost of this electricity, if it had to be purchased from the state-owned utility, would be in excess of USD $1 million per year. For the year ended June 30, 2008, SinoCoking generated approximately 7,172,000 kilowatt-hours of useable electrical power. From time to time, depending on usage and supply and demand conditions, SinoCoking may sell electricity to the Baofeng Power Bureau, which is the local state-owned electric utility company, at rates fixed by applicable regulatory authorities. SinoCoking may also purchase electricity from time to time, as needs arise, from the Baofeng Power Bureau.

Expansion Plans

On December 9, 2008, SinoCoking entered into an agreement with the Henan Province Pingingshan Municipal Bureau of Land and Resources to acquire the land use rights for approximately 1,270,000 square meters of industrial zoning vacant land in the Baofeng county for a total consideration of $21,954,490 (or RMB 149,860,00) for a term of 50 years. Under the agreement, SinoCoking agreed to pay $13,185,000 (or RMB 90,000,000) in the first installment by June 30, 2009 and $8,769,490 (or RMB 59,860,000) in an additional installment by September 30, 2009. SinoCoking acquired the land as part of a business expansion plan under which a new coking factory and related facilities would be built. These facilities would have a coke-producing capacity of up to 900,000 tons per year, including coal gas-generated power producing capabilities, and the ability to produce an expanded range of other chemical refinery products. Under the agreement, SinoCoking has committed to the completion construction of the new coking factory by March 16, 2011, with a possible one year extension upon application to the Henan Province Pingingshan Municipal Bureau of Land and Resources.

Sales and Marketing

With respect to coke, SinoCoking typically enters into non-binding annual letters of intent that set forth current year supply quantities, suggested pricing, and monthly delivery schedules with its customers at the beginning of each year. The terms of the letters of intent are usually negotiated during the Annual National Coal Trading Convention organized by the China Coal Transport and Distribution Association. A significant portion of SinoCoking's coke sales in fiscal 2008 were made through attendance at this convention. Changes in delivery quantity and pricing, which is based on open market pricing at the time of delivery, must be documented in a final written contract on a 30-day advance notice submitted by the party making the change and accepted by the other party. Almost all of SinoCoking's current customers enter into these non-binding annual letters of intent, and are generally required to make payment upon delivery of each shipment of product. Other customers are asked to prepay for their orders. In pricing its products, SinoCoking considers factors such as the prices offered by competitors, the quality and grade of the product sold, the volume in national and regional coal inventory build-up and forecasted future trends for coal and coke prices. The remaining portion of SinoCoking's coke sales is derived from purchase orders placed by customers throughout the year when they require additional coke.

Coke Sales. SinoCoking's annual sales volumes of coke for the years ended June 30, 2006, 2007, 2008 and 2009 and the weighted average selling price per ton for each fiscal year, were as follows:

Coke Sales

Fiscal Year	Annual Sales * (Tons)	Weighted Average Price Per Ton (USD)
2006	71,159	$ 121
2007	152,049	$ 159
2008	225,779	$ 249
2009	154,631	$ 197

* Includes sales of metallurgical coke and chemical coke.

SinoCoking has a flexible credit policy and adjusts credit terms for different types of customers. Depending on the customer, SinoCoking may allow open accounts, or require acceptance bills or cash on delivery. SinoCoking considers the creditworthiness and the requested credit amount of each customer when determining the appropriate payment arrangements and credit terms, which generally do not exceed a period over 90 days. SinoCoking evaluates the creditworthiness of potential new customers before entering into sales contracts and reassesses customer creditworthiness on an annual basis. For customers without a strong credit history, SinoCoking requires immediate settlement of accounts upon delivery.

Raw Coal Sales. SinoCoking's annual sales volumes of raw coal for the years ended June 30, 2006, 2007, 2008 and 2009 and the weighted average selling price per ton for each fiscal year, were as follows:

Raw Coal Sales

Fiscal Year	Annual Sales * (Tons)	Weighted Average Price Per Ton (USD)
2006	52,578	$ 26
2007	44,626	$ 42
2008	20,737	$ 18
2009	29,480	$ 58

* Includes coal extracted from Baofeng mine as well as coal purchased by SinoCoking as part of its coal trading activities, and includes raw coal and raw coal/medium coal/coal slurry mixtures.

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Washed Coal Sales. SinoCoking's annual sales volumes of washed coal for the years ended June 30, 2006, 2007, 2008 and 2009, and the weighted average selling price per ton for each fiscal year, were as follows:

Washed Coal Sales

Fiscal Year	Annual Sales (Tons)		Weighted Average Price Per Ton (USD)
2006	6,645	$	64
2007	45,734	$	64
2008	1,860	$	86
2009	55,360	$	118

Coal Tar Sales. SinoCoking's annual sales volumes of coal tar for the years ended June 30, 2006, 2007, 2008 and 2009, and the weighted average selling price per ton for each fiscal year, were as follows:

Coal Tar Sales

Fiscal Year	Annual Sales (Tons)		Weighted Average Price Per Ton (USD)
2006	3,307	$	195
2007	7,330	$	200
2008	10,756	$	278
2009	7,646	$	153

Customers

SinoCoking sells all of its products within China. Its four biggest customers collectively accounted for approximately 64.59% of SinoCoking's total sales revenue in fiscal 2009 as follows:

- Wuhan Tieying Trading Co., Ltd. accounted for approximately 28.78% of total sales;
- Hunan Loudi Zhongyuan Trading Co., Ltd. accounted for approximately 12.80% of total sales;
- Wuhan Zhengtong Industry & Trading Co., Ltd. accounted for approximately 12.22% of total sales; and
- Hengyang Guanxiang Material Co., Ltd. accounted for approximately 10.79% of total sales.

By product types, SinoCoking's largest coke customer was Wuhan Zhengtong Industry Co., Ltd., which accounted for 20.17% of the coke sold in fiscal 2009; Wuhan Tieying Trading Co., Ltd. was the biggest coal customer, accounting for 68.44% of the coal sales in fiscal 2008; and Mr. Fashun Wang, who accounted for 31.06% of the coal tar sold in fiscal 2009, was the single largest coal tar customer.

Company sales personnel conduct routine visits to customers. SinoCoking has long-standing relationships with these customers, and management believes that these relationships are stable.

Nevertheless, as SinoCoking depended on four major customers for a substantial portion of its revenue in fiscal 2009, nonrenewal or termination of SinoCoking's arrangements with these customers would have a materially adverse effect on SinoCoking's revenue. In the event that any one of its major customers does not renew or terminates its arrangement with SinoCoking, there can be no assurance that SinoCoking will be able to enter into another arrangement similar in scope. Additionally, there can be no assurance that SinoCoking's business will not remain largely dependent on a limited customer base accounting for a substantial portion of the revenue.

Transportation and Distribution

SinoCoking owns and operates a private rail track 4.5 kilometers in length that connects SinoCoking's plant to the Chinese national railway system at both the East Pingdingshan Railway Station and the Baofeng Railway Station. Industrial loaders load coal and coke from SinoCoking's platform onto railcars to be transported to customers primarily in central and southeastern China in the provinces of Henan, Hubei, Hunan and Fujian. SinoCoking's private railway permits it to exercise control over the transportation cost and execution of its products. Customers can also arrange for trucks to take delivery of products from the plant site.

Competitors

SinoCoking competes primarily with coal and coke producers in the central, eastern and southern regions of China, such as Shanxi Coking Co., Ltd., a major coke producer, and Shenhua Group, a major coal producer. SinoCoking also competes against Pingdingshan Coal Group, the largest regional coal producer, which also sells coke and coal tar. Local coke competitors include Hongyue Coke Factory, Dongxin Coke Factory and Hongjiang Coke Factory. In addition, SinoCoking competes against coal washing operations such as Fange Zhuang Washing Factory. Competitive factors include geographic location, quality (i.e. thermal value, ash and sulfur content, washing and processing, and other characteristics), and reliability of delivery.

Suppliers

Since SinoCoking requires substantially more coking coal than what the Baofeng mine produces, SinoCoking also sources coal from local coal mines. SinoCoking mainly purchases from Pingdingshan Coal Group. In fiscal 2008, Pingdingshan's mine #10 and mine #9 supplied 15.15% and 12.68%, respectively, of SinoCoking's coal purchases. In fiscal 2009, Pingdingshan's mine #9 supplied 22.1% of SinoCoking's coal purchases, and Daying Liugou Mining Co. Ltd. supplied an additional 11.42% These suppliers are able to supply SinoCoking with coal of such qualities and quantities consistent with SinoCoking's coking requirements, and their proximities to SinoCoking's plant also afford convenience.

As with its coke and coal sales, SinoCoking meets its coking coal needs by entering into non-binding annual letters of intent with these suppliers that set forth supply quantities, suggested pricing and monthly delivery schedules at the beginning of the year. Subject to changes in delivery quantity and pricing, which is based on the open market price of metallurgical coal at the time of delivery and agreed to by the parties, SinoCoking generally makes payment upon each delivery throughout the year.

SinoCoking believes that it has established stable cooperative relationships with these suppliers. At the same time, SinoCoking can readily find other sources of metallurgical coal that is close to its plant, as Henan Province is one of China's coal producing centers.

SinoCoking's other principal raw materials include water, which is provided without charge in the form of treated underground water by the operator of the Hangzhuang Coal Mines, and electricity, most of which SinoCoking generates onsite from its own power stations and which is supplemented from the local state-owned utility as needed. SinoCoking also requires wood and steel for its operations, and sources these materials from close-by suppliers on a per purchase order basis. These materials are readily available and there is no shortage of suppliers to choose from.

Employees

SinoCoking currently has 664 employees, of which 489 are mine workers, 96 are coking plant workers, and 79 are employed in an administrative or executive capacity. Both the mining operations and the coking plant operate year round in three shifts of eight hours per day. In compliance with the Employment Contract Law of PRC, SinoCoking has written contracts with all of their employees. SinoCoking considers its relationship with its employees to be good.

Description of Company Facilities and Offices

SinoCoking's principal executive office is in downtown Pingdingshan, approximately 60 kilometers from its plant, which headquarters its executive and administrative staff and oversees its operations. SinoCoking entered into a lease for the premises with the Pingdingshan Credit Cooperative in June 2008, for an annual rent of USD $8,760 (RMB 66,900). The lease term expired on June 30, 2009, and is currently under renegotiation. The company anticipates renewing its lease with an annual rent of USD $8,900.

SinoCoking's plant is in nearby Baofeng County, situated on a parcel of land of approximately 160,000 square meters. The Baofeng municipal government issued the land use right for the plant site to SinoCoking on October 20, 1989. SinoCoking's operational office and rail track, as well as its coal washing, coking and power generating facilities, are all located onsite.

The land on which Baofeng mine is located is owned by the PRC. However, SinoCoking owns the buildings that house the mining offices and miners' living quarters, as well as the onsite mining facilities and equipment.

Research and Development

As of the year ended June 30, 2009, SinoCoking did not conduct any research and development activities. SinoCoking does plan to initiate a program focusing on the extraction of chemicals from coal, and the anticipated costs and benefits of the production and sale of such byproducts is being considered.

Intellectual Property

SinoCoking currently has no patents, trademarks, in-bound or outbound licenses, franchises, or royalty arrangements.

Environmental Protection Measures

SinoCoking incorporates measures to reduce the environmental impacts of its operations. SinoCoking's large-sized furnace reduces the frequency of coal loading and trundling, thereby reducing the amount of dust and soot that is generated. SinoCoking captures coal gas emitted during the coking process to generate electricity which it uses in its operations. SinoCoking also recycles water - water that is used for coal washing is treated to remove phenol and other contaminants, and then re-used in the coal washing operation. SinoCoking also uses recycled water, in the form of treated underground water, to quench coke and for its power stations, which is provided without cost by the nearby Hanzhuang Coal Mines, which mining rights are owned and operated by unrelated third parties. Additionally, SinoCoking uses sound insulation to reduce noise pollution, and plants vegetation throughout its plant to help mitigate environmental impacts.

Principal Executive Office

The principal executive office of SinoCoking is located at the intersection of Kuanggong Road and Tiyu Road (10th Floor, Chengshi Xin Yong She, Tiyu Road), Xinhua District, Pingdingshan, Henan Province, People's Republic of China, 467000. The company's telephone number is 011-86-3752882999.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying consolidated financial statements of Top Favour (SinoCoking) and related notes thereto appearing elsewhere herein. All monetary figures are presented in U.S. dollars, unless otherwise indicated.

Forward-Looking Statements

The statements in this discussion that are not historical facts are "forward-looking statements". The words "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," "continue", the negative forms thereof, or similar expressions, intended to identify forward-looking statements, although not all forward-looking statements are identified by those words or expressions. Forward-looking statements by their nature involve substantial risks and uncertainties, certain of which are beyond our control. Actual results, performance or achievements may differ materially from those expressed or implied by forward-looking statements depending on a variety of important factors, including, but not limited to, weather, local, regional, national and global coke and coal price fluctuations, levels of coal and coke production in the region, the demand for raw materials such as iron and steel which require coke to produce, availability of financing and interest rates, competition, changes in, or failure to comply with, government regulations, costs, uncertainties and other effects of legal and other administrative proceedings, and other risks and uncertainties. We are not undertaking to update or revise any forward-looking statement, whether as a result of new information, future events or circumstances or otherwise.

Overview

Top Favour Limited ("Top Favour") is a holding company that, through its wholly owned subsidiary Pingdingshan Hongyuan Energy Science and Technology Development Co., Ltd. ("Hongyuan"), controls Henan Province Pingdingshan Hongli Coal & Coke Co., Ltd. ("Hongli"), a coal and coal-coke producer in Henan Province in the central region of the People's Republic of China ("PRC" or "China"). Hongli produces coke, coal, coal byproducts and electricity through its branch operation, Baofeng Coking Factory, and its wholly owned subsidiaries, Baofeng Hongchang Coal Co., Ltd. and Baofeng Hongguang Environment Protection Electricity Generating Co., Ltd., which we refer to collectively as the "Baofeng Subsidiaries". We refer to Hongli and Baofeng Subsidiaries collectively as "Hongli Group". Top Favour controls Hongli Group through contractual arrangements with Hongli Group and its owners. These contractual arrangements provide for management and control rights, and in addition entitle Top Favour to receive the earnings and control the assets of Hongli Group. Other than the interests in these contractual arrangements, neither Top Favor nor Hongyuan has any equity interests in Hongli Group. We refer to Top Favour, Hongyuan and Hongli Group collectively as "SinoCoking".

On July 17, 2009, Ableauctions.com, Inc. entered into a Share Exchange Agreement with SinoCoking, subsequently amended in November 2009, under which it agreed to acquire 100% of the issued and outstanding shares of capital stock of Top Favour, and in exchange will issue up to approximately 13.2 million shares of common stock to the former shareholders of Top Favour. The reverse takeover under the Share Exchange Agreement will be accounted for as reverse acquisition. The legal acquiror is Ableauctions. The accounting acquiror is SinoCoking. As described above in this proxy statement, any remaining assets and liabilities outstanding prior to the reverse takeover will be disposed of prior to the closing. The financial statements of the combined company are in substance, the financial statements of Top Favour.

Results of Operations

Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2009

Revenues. SinoCoking's revenues increased by $9,161,531, or 102.16%, for the first quarter ended September 30, 2009, as compared to the corresponding period ended September 30, 2008. This increase was caused primarily by a strong increase in coal product revenue. This increase in revenue occurred in the face of prolonged global economic weakness which began in the last calendar quarter of 2008, continuing into 2009. During this period the coke market exhibited relatively weak demand in 2009, and in response to this, in April 2009 management decided to reduce coke production levels and increase coal sales and trading. SinoCoking continued to pursue this strategy through the quarter ended September 30, 2009, in order to maintain cash flow and profitability. SinoCoking increased its coal product sales by 6,599% for the three months ended September 30, 2009, compared to the same period ended September 30, 2008. The coal products sold in the three month period ended September 30, 2009 included raw coal, thermal coal and coal washing byproducts. This stands in contrast with the same period of the prior year, in which coal washing byproducts (medium coal and slurry) with low heat value and washed coal were the main coal products sold. This shift toward coal sales and trading, together with the change in composition of coal products sold to include higher heat value thermal coal, resulted in a very large increase in revenue from coal sales. Additionally, beginning in late 2008 and continuing through the middle of calendar year 2009, the company began gradually phasing out the provision of shipping services to its coal and coke customers, and those customers began bearing the cost of shipping. As an accommodation to its customers, SinoCoking reduced sales prices for its coal products by about 3% to 5%, to compensate for the fact that the price excludes shipping. This decision to cut sale prices as a concession to customers caused a slight offsetting reduction in the total revenue of the company in fiscal year 2009, as well as for the three month period ended September 30, 2009. As further discussed below in this section, management does not consider these recent fluctuations in the coke and coal markets to be durable long term trends, and anticipates ramping up coke production as conditions in the coke market become more favorable.

SinoCoking's revenues for the three month periods ended September 30, 2009 and 2008, categorized by product type (coke products and coal products), were as follows:

	Revenues		
	Coke Products	Coal Products	Total
Revenues			
Three Months Ended September 30, 2008	$8,786,546	$181,384	$8,967,930
Three Months Ended September 30, 2009	5,978,403	12,151,058	18,129,461
Increase (decrease) in US$	$(2,808,143)	$11,969,674	$9,161,531
% Increase (decrease) in US$	(31.96 %)	6599.08 %	102.16 %
Quantity Sold (metric tons)			
Three Months Ended September 30, 2008	41,210	2,427	43,637
Three Months Ended September 30, 2009	29,908	134,297	164,205
Increase (decrease)	(11,302)	131,878	130,491
% Increase (decrease)	(27.42 %)	5433.79 %	299.04 %

Coke products include finished coke, a key raw material for producing steel, and coal tar, a byproduct of the coke making process with various industrial applications. Coal products include washed coal, raw coal, thermal coal and coal washing byproducts. Raw coal is primarily used to produce washed coal, while thermal coal and coal washing by-products are mainly used for electricity generation and heating applications. As used in this discussion and analysis, the “raw coal” category includes both thermal coal that is unwashed and relatively unprocessed, in addition to coal washing byproducts such as coal slurry.

Average sale prices for SinoCoking's four principal products, during the three month periods ended September 30, 2009 and September 30, 2008, were as follows:

Average Sale Prices	Coke	Coal Tar	Raw Coal	Washed Coal
Three Months Ended September 30, 2008	$214	$192	$75	$86
Three Months Ended September 30, 2009	204	190	68	128
Increase (decrease) in US$	(14)	(2)	(7)	42
% Increase (decrease) in US$	(6.54%)	(1.04%)	(9.33%)	48.84%

Average sale prices are driven by a number of factors, including the particular composition and grade or quality of the coal or coke being sold, prevailing market prices for these products in the Chinese local and national markets, prevailing market prices in the global marketplace, timing of sales, delivery terms, purchase order negotiations between SinoCoking and its customers, and relationships with those customers. Management believes that the changes in average selling prices in the three month period ended September 30, 2009 were primarily driven by external market forces and the timing of sales by the company. Specifically, management believes lower coke prices resulted from softening demand by steel producers in reaction to global financial instability which began in the fourth calendar quarter of 2008 and became pronounced through the months following. With regard to timing, SinoCoking chose to sell more of its coal inventory and trade coal while prices for raw coal were at historically high levels. In addition, the average selling prices for coal products were affected by changes in the mixtures of coals (with different grades and heat content) that were sold to customers. In the fiscal year of 2008, the majority of the company's coal products sold (except washed coal) were lower-value coal washing byproducts, consisting of medium coal and coal slurry. These byproducts carry a lower thermal value and therefore a lower market price – accordingly, the company's average sale price for products in the raw coal category was only $18 per ton in the fiscal year of 2008. However, beginning in the fiscal year of 2009, the company began to sell more higher-value thermal coal as a part of the product mix, and this resulted in an increase in the average price achieved by the company in the raw coal category. Also as discussed above, beginning in late 2008 and continuing through the middle of calendar year 2009, the company began gradually phasing out the provision of shipping services to its coal and coke customers, and those customers began handling shipping of their orders at their own expense. As a concession to its customers SinoCoking reduced sales prices for its coal products by about 3% to 5%, to compensate for the fact that the price excludes shipping.

Sale prices for coke on average declined by approximately 6.54%, from $214 per ton to $204 per ton, during the three month period ended September 30, 2009, as compared to the same period ended in 2008. In general, market prices for finished coke began to stabilize in mid-2009. The company's average sale price for coke in the most recent quarter ($204 per ton) was higher than the 2009 fiscal year average of $197 per ton. In addition, during this period the company produced and sold less coke as compared to the same period in the prior year. SinoCoking's management believes the decrease in market prices in coke products (in reaction to which the company reduced coke production volume) was due to decreased demand for coke in the Chinese domestic market beginning from the fourth quarter of the 2008 calendar year. Since then demand and price levels have begun to recover, but have not yet reclaimed historic peak levels. Management believes this downturn in coke demand was a direct result of (1) Chinese domestic steel producers taking a "wait and see" approach in projecting the future demand by their customers for steel in light of recent global economic conditions, and (2) the macro policies of the PRC government aimed at controlling the land development and real estate industry, which in turn affected the steel industry, correspondingly causing a reduction in the demand for coke. In response to a pause in customer demand for coke, SinoCoking's management continued to rein in coke production for the three month period ended September 30, 2009, and focused on generating profits by trading thermal coal and washed coal, for which market prices have been more steady and favorable. Also, in recent months the demand for raw coal has proven to be rather inelastic, since coal products are a staple for the power generation industry and for heating applications.

Coke product revenues for the three month periods ended September 30, 2008 and 2009 were as follows:

	Coke Products		
	Coke	Coal Tar	Total
Revenues			
Three Months Ended September 30, 2008	$8,401,009	$385,537	$8,786,546
Three Months Ended September 30, 2009	5,717,599	260,804	5,978,403
Increase (decrease) in US$	(2,683,410)	(124,733)	(2,808,143)
% Increase (decrease) in US$	(31.94%)	(32.35%)	(31.96%)
Quantity Sold (metric tons)			
Three Months Ended September 30, 2008	39,201	2,009	41,210
Three Months Ended September 30, 2009	28,511	1,397	29,908
Increase (decrease)	(10,690)	(612)	(11,302)
% Increase (decrease)	(27.26%)	(30.46%)	(27.42%)

The combined factors discussed above resulted in a decrease in revenue from coke products of approximately $2.8 million, representing a 31.96% decrease for the three month period ending September 30, 2009, as compared to the same period in the prior year. This decrease was caused by a cutback in coke production by the company in response to a decline in market prices for coke during this period. In early 2009, market prices for coke products began stabilizing, and management believes this was partly due to curtailment of production by coke producers in China which reduced aggregate market supply, in addition to a gradual resumption of purchasing on the part of Chinese manufacturers in response to a pickup in Chinese domestic consumption levels in the second calendar quarter of 2009. These developments occurred as the PRC government, in the second calender quarter, announced certain policies to further stimulate the Chinese domestic economy.

Since coal tar is produced as a by-product of the coking process, the reduction in the amount of coke that the company produced resulted in a corresponding reduction in the quantity of coal tar produced and sold during the period. The quantity of coal tar sold decreased from 2,009 tons to 1,397 tons, or 30.46%, for the three months ended September 30, 2009, as compared to the same three month period in the prior year. The company's average sale price for coal tar declined slightly to $190 per ton in the three months ended September 30, 2009, from $192 per ton in the same three month period in the previous year. However, management notes that the average sale price for coal tar for the latest quarter ($190 per ton) has risen from the fiscal year of 2009 average of $153 per ton, as coal tar prices have rebounded from their lows in late 2008. SinoCoking's sales of coke products, i.e. coke and coal tar, accounted for $5,978,403 in revenue, or approximately 32.98% of the company's total revenue, for the three month period ended September 30, 2009.

Coal product revenues for the three month periods ended September 30, 2008 and 2009 were as follows:

	Coal Products		
	Raw Coal	Washed Coal	Total
Revenues			
Three Months Ended September 30, 2008	$ 181,384	$ --	$ 181,384
Three Months Ended September 30, 2009	5,122,129	7,028,929	12,151,058
Increase (decrease) in US$	4,940,745	7,028,449	11,969,674
% Increase (decrease) in US$	2,723.91 %	-- %	6,599.08 %
Quantity Sold (metric tons)			
Three Months Ended March 31, 2008	2,427	--	2,427
Three Months Ended March 31, 2009	78,700	55,597	134,297
Increase (decrease)	76,273	55,597	131,878
% Increase (decrease)	3,142.69 %	-- %	5,433.79 %

Average raw coal product sale prices declined from $75 per ton to $68 per ton for the three month period ending September 30, 2009,when compared to the same period in the prior year. However, average sale prices for raw coal prices were higher for the three months ending September 30, 2009, than the average for the entire fiscal 2008 ($18 per ton) and the fiscal year of 2009 ($58 per ton).

SinoCoking continued its strategy of selling a larger volume of coal products in the three month period ending September 30, 2009. During that time period, the company continued to build its inventory of raw coal (especially thermal coal) from both its mining operations and open market purchases, which it anticipates selling later during the coming winter months. Management expects coal prices to increase toward the end of calendar year 2009, as domestic energy demand increases. During the three months ending September 30, 2009, SinoCoking sold 78,700 tons of various mixtures and composites of raw coal and realized more than $5.1 million in revenue from these sales, generating a 2,724% increase in revenue from the sale of raw coal as compared to the same period in the previous year. SinoCoking sold approximately 55,600 tons of washed coal during the three month period ended September 30, 2009, and generated approximately $7.0 million in revenue from these sales, compared to zero washed coal sales in the same three month period in the prior year. In the three month period ending September 30, 2008, SinoCoking did not sell any washed coal, because at such time inventories of washed coal were already considered to be low, and the company opted to maintain a minimum safe inventory level of washed coal in stock instead of selling it. In 2009, as discussed, the company began selling more coal products in order to boost revenue and maintain cash flow and profitability. Accordingly it sold a significant amount of washed coal in the three months ending September 30, 2009. SinoCoking’s sales of coal products, i.e. raw coal (which includes thermal coal) and washed coal, accounted for $12,151,058 in revenue, or approximately 67.02% of the company’s total revenue, during the three month period ending September 30, 2009.

Management believes the decline in coke prices, reduced demand for coke from steel producers, and the increase in prices for thermal coal that occurred in the three month period ending September 30, 2009 do not represent durable long term trends. Aside from the reasons for price fluctuations explained above, SinoCoking’s management has observed the following trends, which may have a direct impact on the company’s operations in the near future: (1) coke prices have been recovering and steadily trending upward since March 2009, (2) government-initiated policies to consolidate the coking industry are expected to accelerate, hastening the retirement of small-sized and less-efficient coking facilities in China, and (3) the PRC government is continuing to implement its stated policy of supporting a steady national GDP growth (of around 8% for 2009), while providing economic stimulus to maintain momentum and growth in domestic consumption, including the construction and steel industries. SinoCoking’s management believes these factors will eventually restore demand levels that existed prior to the sharp pullback in global economic conditions, and such demand levels will be exceeded in the long term.

Cost of Goods Sold and Gross Profit. Cost of goods sold increased from $4,353,737 to $9,069,065 for the three months ended September 30, 2009, as compared to the same period ended September 30, 2008. The increase in cost of goods sold was primarily driven by the significant increase in acquisition of raw coal and washed coal from third parties, partially offset by a decrease in the cost of goods sold for coke due to a lower volume of coke production. Gross profit increased by $4,445,905 or 96.35%, to $9,060,396 in the three month period ended September 30, 2009 from $4,614,491 in the corresponding period ended September 30, 2008. SinoCoking's gross profit as a percentage of sales decreased to 48.98% in the three month period ended September 30, 2009 from 51.46% in the same period ended September 30, 2008. The decrease in the company's gross profit percentage reflects a compressed gross margin due to lower market sale prices for coke, and slightly lower gross margin for coal trading in the three month period ending September 30, 2009.

Operating Expenses. Operating expenses, which consisted of selling expenses and general and administrative expenses decreased by $244,597, or 36.41% in the three month period ending September 30, 2009 as compared to the same period ending September 30, 2008. Approximately $213,000 of the decrease is related to a reduction in general and administrative expenses. Since the company derived a large portion of its sales from one major customer (Wuhan Tieying Steel), the company incurred a smaller amount in selling expenses compared to the previous year. SinoCoking has also carried out an expense monitoring program since the beginning of calendar year 2009, under which most expense reimbursements to employees and management were reviewed by supervising managers. These cost control measures contributed to the decrease of the general and administrative expenses in the three month period ended September 30, 2009. Also, beginning in late 2008 and continuing through the middle of calendar year 2009, the company began to gradually phase out the provision of shipping services to its coal and coke customers, and those customers began bearing the cost of shipping. The phaseout of shipping services resulted in a decrease in selling expenses of approximately $31,000 in the three month period ending September 30, 2009, as compared to the same period in the prior year. The reduced selling expenses primarily related to payments to the Bureau of Rail Transportation, which no longer had to be paid by the company after the discontinuation of shipping services to coal-buying customers. In addition to the decrease in selling expenses, management also believes that a substantial portion of the decrease in general and administrative expenses was attributable to the phaseout of shipping services.

Other Income and Expense. There was no other income for the three months ended September 30, 2009, and other income for the three months ended September 30, 2008 consisted mainly of a government grant to SinoCoking's coal gas-generated power plant in the amount of $157,956. The company's interest expense decreased from $204,126 for the three months ended September 30, 2008 to $96,724 in the same period ended September 30, 2009, reflecting a lower average balance of outstanding short-term borrowings which changed from $3.77 million to $1.35 million from the three month period ending September 30, 2008 to the same period in 2009.

Provision for Income Taxes. Provision for income taxes increased by $1,078,039, or 118%, for the three months ending September 30, 2009, as compared to the same period ending September 30, 2008, primarily due to higher taxable income relating mainly to an increase in the company's gross profit for the three months ended September 30, 2009.

Comprehensive Income. As a result of a combination of the factors described above, SinoCoking's comprehensive income increased by 118% to $3,570,398 for the three months ending September 30, 2009, from $3,029,048 for the corresponding period ending September 30, 2008.

Year Ended June 30, 2009 Compared to the Year Ended June 30, 2008

Revenues. SinoCoking's revenues decreased from $58,623,488 for the fiscal year ended June 30, 2008 ("fiscal 2008") to $51,395,992 for the fiscal year ended June 30, 2009 ("fiscal 2009"), representing a decrease of $7,227,496, or 12.33%. This decrease was caused primarily by a decline in the market prices for coke along with softening demand for coke by steel producers, and a reduction of coke production volume by the company, offset by increases in raw and washed coal prices occurring primarily toward the latter part of the 2008 calendar year. These changes corresponded with a sudden adverse shift in global economic conditions in the last calendar quarter of 2008, continuing into 2009. Because of a short term drop in demand for coke in the first half of the calendar year 2009, management shifted the company's production mix by decreasing coke production and increasing both coal mining and coal trading activity in order to maintain cash flow and profitability. Due to the pending shut-down of competing coke factories in reaction to the PRC government's current policies (aimed at closing smaller-sized, less efficient and less environmentally sound coking operations) which will limit aggregate supply, coupled with an anticipated acceleration of demand from the steel industry, management believes that the coke market will become a producer's market within a short period. The company intends to maintain a flexible operating strategy by adjusting its product mix to respond the changing market. The company expects to increase coke production and shift away from selling coal products in the second half of the calendar year 2009, as coke demand and prevailing market prices rebound.

SinoCoking's revenues for the fiscal years ended June 30, 2009 and 2008, categorized by product type (coke products and coal products), were as follows:

	Revenues		
	Coke Products	Coal Products	Total
Revenues			
Fiscal 2009 (in US$)	$31,706,265	$19,689,727	$51,395,992
Fiscal 2008 (in US$)	58,091,026	532,463	$58,623,489
Increase (decrease) in US$	$(26,384,761)	$19,157,264	$(7,227,497)
% Increase (decrease) in US$	(45.42)%	3,597.86%	(12.33)%
Quantity Sold (metric tons)			
Fiscal 2009	162,277.00	284,840.32	447,117.32
Fiscal 2008	236,535.00	22,597.00	259,132.00
Increase (decrease)	(74258.00)	262,243.32	187,985.32
% Increase (decrease)	(31.39)%	1,161.52%	72.54%

Coke products include finished coke (a key raw material for producing steel) and coal tar (a byproduct of the coke making process which can be used for various industrial applications). Coal products include washed coal, raw coal, thermal coal and coal washing byproducts. Raw coal is primarily used to produce washed coal, while thermal coal and coal washing by-products are mainly used for electricity generation and heating applications. As used in this discussion and analysis, the "raw coal" category includes both thermal coal that is unwashed and relatively unprocessed, in addition to coal washing byproducts such as coal slurry.

Average sale prices for SinoCoking's four principal products were as follows in the fiscal years ended June 30, 2009 and 2008:

	Average Sale Prices			
	Coke	Coal Tar	Raw Coal	Washed Coal
Fiscal 2009 (in US$)	$197	$153	$58	$119
Fiscal 2008 (in US$)	249	278	18	86
Increase (decrease) in US$	(52)	(125)	40	33
% Increase (decrease) in US$	(20.88)%	(44.96)%	222.22%	38.37%

Average sale prices are driven by a number of factors, including the particular composition and grade or quality of the coal or coke being sold, prevailing market prices for these products in the Chinese local and national markets, prevailing market prices in the global marketplace, timing of sales, delivery terms, purchase order negotiations between SinoCoking and its customers, and relationships with those customers. Management believes that the changes in average selling prices in the fiscal year ended June 30, 2009 were primarily driven by external market forces, the composition of raw coal that it sold to customers, and the timing of sales by the company. Specifically, management believes lower coke demand resulted from a leveling off of the building boom spurred by the PRC government in preparation for the Olympic Games, and the effects on demand by steel producers in reaction to global financial instability which became pronounced in the fourth calendar quarter of 2008. In addition, the average selling prices for coal products were affected by changes in the mixtures of coals (with different grades and heat content) that were sold to customers. With regard to timing, the company chose to sell coal inventory at times when prices were at high levels compared to historical patterns.

Average sale prices are realized by the company for finished coke declined by approximately 21%, and declined approximately 45% for coal tar, in fiscal 2009 as compared to the prior year. Although the market price of coke rebounded to approximately $210 in April and May of 2009, this factor contributed little to revenue in fiscal 2009. Market prices for coke generally moved between $200 and $220 in the months following May 2009, and prices are expected to remain stable at approximately the $230 level, due to slowly increasing coke demand.

Average coal product sale prices by the company rose from $18 per ton in fiscal 2008 to $58 per ton in fiscal 2009 for raw coal, and from $86 per ton in fiscal 2008 to $119 per ton in fiscal 2009 for washed coal. Aside from market-related factors, one of the reasons for these increases is that fact that the overall quality and mix of coal products sold changed from 2008 to 2009. In 2008, raw coal sales consisted mostly of lower-value medium coal and coal slurry, which have a lower heat content and therefore lower average price. In 2009, after the company began increasing its coal sales, it began selling more higher-value raw coal products with greater heat content, and consequently, the average sale price for raw coal sold by the company in 2009 was significantly higher. Increased average sale prices for coal products were partially offset by per-ton price reductions in 2009 due to the exclusion of shipping services (and corresponding reduction in per-ton price as a concession to customers), as discussed above.

Sale prices for coke on average declined by approximately 20.88%, from $249 per ton to $197 per ton, during the year ended June 30, 2009, as compared to the same period ended June 30, 2008. This decline in sale prices for coke sold by the company was primarily driven by market forces, and a decline in coke demand. SinoCoking's management believes the decrease in demand for coke is a direct result of (1) Chinese domestic steel producers taking a "wait and see" approach in projecting the future demand by their customers for steel in reaction to global economic instability that occurred during the latter part of the 2008 calendar year which affected their business, and (2) a pause in certain infrastructure projects funded by the Chinese government immediately following the 2008 Olympic Games. In response to reduced customer demand for coke in late 2008 and first half of 2009, SinoCoking's management moved to cut coke production in April of 2009, and focused on generating profits by trading thermal coal and washed coal, for which market sale prices have been more steady and demand for which has been far less elastic, because they are staples in the power generation industry and for heating applications. Management believes that the forces that led to a reduction in coke demand in late-2008 to 2009 were temporary in nature, and also believes that a resumption of a brisk economic growth rate in China will cause a rebound in demand and the market prices for coke.

Coke product revenues for the fiscal years ended June 30, 2009 and 2008 were as follows:

	Coke Products		
	Coke	Coal Tar	Total
Revenues			
Fiscal 2009 (in US$)	$ 30,534,755	$ 1,171,510	$ 31,706,265
Fiscal 2008 (in US$)	55,103,692		