25 February 2016

Winsway Enterprises Holdings Limited

Liquidation Analysis

Enterprise Improvement

Financial Advisory

Information Management

Leadership & Organizational Effectiveness

Turnaround & Restructuring

AlixPartners

When it really matters.

Disclaimer – Important information regarding this report

This report was prepared by AlixPartners Services UK LLP (**AlixPartners**) at the request and on the instructions of Winsway Enterprises Holdings Limited (the **Company**) exclusively for the benefit and use of the Company pursuant to a client relationship as recorded in an engagement letter dated 2 March 2015 and the addendum to the engagement letter dated 18 December 2015 incorporating AlixPartners' General Terms and Conditions of business (together as the same may be amended, novated, supplemented, extended or restated, the **Engagement Letters**).

The report remains subject to the scope and exclusions as agreed with the Company as set out in the Engagement Letters, in connection with the proposed restructuring which is to be implemented by way of linked and inter-conditional schemes of arrangement proposed by the Company pursuant to section 673 of the Companies Ordinance (Cap 622) of Hong Kong and pursuant to section 179A of the BVI Business Companies Act (2004)(the **Schemes**). The report has been prepared with only the Company's interests, requirements and objectives in mind and should not be used for any other purpose or in any other context. This report, all of its contents and the matters dealt with in it are confidential and subject to the confidentiality provisions of the Engagement Letters.

AlixPartners is acting as an adviser to the Company. AlixPartners' sole duty of care is to the Company. AlixPartners is not responsible to and does not owe any duty to any other person, and is not responsible for providing advice to and is not purporting to advise any other person in connection with such matters.

In accordance with the Engagement Letters, AlixPartners has prepared a high level liquidation analysis of the potential outcome for creditors of the Company in the event that a debt restructuring is not completed (the **Liquidation Analysis**). The Liquidation Analysis is based on the Company's instructions and with only the Company's interests in mind. By accepting the Liquidation Analysis, the Company's creditors and any other party who gains access to the Liquidation Analysis (**Third Parties**) will be taken to have represented, warranted and undertaken that they have read and agree to comply with the contents of this Disclaimer.

This report has been prepared by AlixPartners solely for the benefit of the Company, and is disclosed as an appendix to the explanatory statement to the Company's Schemes strictly on a non-reliance basis, for information only. No reliance may be placed for any purpose whatsoever on this report or the Liquidation Analysis and any reliance creditors and/or Third Parties choose to place on such information is a matter for their judgment exclusively and at their own risk. To the fullest extent permitted by law, no liability or responsibility whatsoever is accepted by AlixPartners for any loss howsoever arising from any use of or reliance on this report or the Liquidation Analysis or in connection therewith.

The Liquidation Analysis is based on information and explanations provided by the Company which have not been subject to independent verification, audit or checking. Accordingly, AlixPartners assumes no liability whatsoever and makes no representations or warranties, express or implied, in relation to the contents of this report, including its accuracy, completeness or verification or for any other statement made or purported to be made by or on behalf of the Company or AlixPartners. Additionally, AlixPartners identified a number of limitations to the Liquidation Analysis. A full list of these limitations can be found on page 19.

The Liquidation Analysis is based on a review of the current and forecast financial position of the Company as at 30 November 2015. For the avoidance of any doubt, the work AlixPartners has been engaged to carry out does not constitute an audit of the Company's financial position and AlixPartners is not in a position to provide an opinion as to the veracity of information received nor should any opinions of AlixPartners be regarded as a substitute for an audit opinion which can only be provided by KPMG, the Company's auditors.

Disclaimer – Important information regarding this report (cont'd)

This report does not constitute or form any part of, and should not be construed as:

- an offer or invitation or other solicitation or recommendation in respect of the proposed restructuring, or
- an offer to sell or issue, or the solicitation of an offer to purchase, subscribe to or acquire, securities of the Company, or
- an inducement to enter into investment activity in the United States or in any other jurisdiction in which such offer, solicitation, inducement or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of such jurisdiction.

No part of this report nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. This report does not constitute a recommendation regarding any decision to sell or purchase securities, debt participations or other assets in the Company.

Any person who is in any doubt about the subject matter of this report should consult a duly authorised person. Nothing in this report should be relied upon in connection with the purchase of any shares, debt participations or other assets.

This report includes forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties. The accuracy and completeness of all such forward-looking statements, including, without limitation, statements regarding the Company's future financial position, strategy, plans and objectives for the management of future operations, is not warranted or guaranteed and Third Parties are cautioned that the Company's actual results of operations, financial condition and the development of the sectors in which the Company operates or intends to operate may differ materially from those made in or suggested by the forward-looking statements contained in the report. No representation, express or implied, is made that any changes to the information herein will be provided to Third Parties and AlixPartners accepts no obligation to disseminate any updates or revisions to such forward looking statements. Nothing contained in this report is, or shall be, relied on as a promise or representation whether as to past or the future, in connection with the Company or the proposed Schemes.

The statements made in this report are current as at the date of this report and delivery of the report should not give rise to any implication that there has not been any change in the information set out in the report.

Glossary of terms

AlixPartners/us/our/we	AlixPartners Services UK LLP
Borrower	the Company, as borrower pursuant to the Notes
BVI	British Virgin Islands
Capex	capital expenditure
Cheer Top	Cheer Top Enterprises Limited
CIP	construction in progress
Color Future	Color Future International Limited
Company / ListCo	Winsway Enterprises Holdings Limited
Engagement Letters	AlixPartners' engagement letter with the Company dated 2 March 2015 and the addendum to the engagement letter dated 18 December 2015
ERV	estimated realisable value
GCC	Grande Cache Coal Corporation and Grande Cache Coal LP
the Guarantors	Guarantors of the Notes as detailed in Appendix B
the Group	Winsway Enterprises Holdings Limited and its subsidiaries
Haotong Energy	Nantong Haotong Energy Co Ltd
HK	Hong Kong
HK$	Hong Kong Dollar currency
KPMG	KPMG, a Hong Kong partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity.

the Lenders	PRC based lenders to the Group as detailed in Appendix A
Liquidation Analysis	the high level liquidation analysis of the potential outcome for creditors of the Company in the event that a debt restructuring is not completed, prepared by AlixPartners in accordance with the Engagement Letters
Lush Power	Lush Power Management Limited
Management	the senior management team of the Company
Moveday	Moveday Enterprises Limited
NBV	net book value
the Notes	US$500,000,000 8.50% senior notes due 2016 issued by the Company on 8 April 2011
PPE	property, plant and equipment
PRC	the People's Republic of China
RMB	Chinese Yuan Renminbi currency
Third Parties	the Company's creditors and any other party who gains access to this report and/or the Liquidation Analysis
US$	United States of America Dollar currency
Winsway Resources	Winsway Resources (HK) Holdings Limited
Winsway Resources Holdings	Winsway Resources Holdings Private Limited

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Section

Introduction

AlixPartners has prepared this report and the Liquidation Analysis to assist the directors of the Company in considering the potential outcome to creditors of the Company, and in particular holders of the Notes, in the event that the proposed restructuring that is currently being implemented by the Company is unsuccessful and a theoretical liquidation of the Company and its subsidiaries occurs. The background to why our work is required and an overview of our approach to preparing the Liquidation Analysis is set out in Section 2. The key assumptions which underpin the Liquidation Analysis are set out in Section 3 and in further detail in Appendix D.

The Liquidation Analysis has been prepared based on information received and explanations provided by Management of the Company. No independent verification has been completed by us and to the extent that information or explanations are incomplete, our conclusions may change. The Liquidation Analysis has been completed as at a specific point in time, in this case, based on the unaudited financial position of the Company and its subsidiaries as at 30 November 2015. The Liquidation Analysis does not incorporate the effects, if any, of events and circumstances which may have occurred or information which may have come to light subsequent to this date, unless specifically stated. We make no representation as to whether, had we carried out such work or made such inquiries, there would have been a material effect on the Liquidation Analysis.

Based on the work completed in preparing the Liquidation Analysis, it is estimated that the return to holders of the Notes, being the class of creditors that will be affected by the proposed restructuring, may range between 4.7% and 10.4% in a theoretical liquidation of the Company and its subsidiaries. The conclusions from the Liquidation Analysis and the source of estimated returns to holders of the Notes are set out in Sections 4 and 5 of this report.

It should be noted that the Liquidation Analysis provides an estimate of the potential outcome to creditors at a particular point in time using certain assumptions and subject to certain limitations. The Liquidation Analysis is only as robust as the information and explanations provided to us by the Management of the Company. Our work does not comprise an audit, and cannot be relied upon as same.

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Background and methodology

Background

The Group is an integrated supplier of imported coking coal to the PRC. The Group's services include the sourcing, transportation, storage, processing and sale of coking coal and it has subsidiaries in the PRC, Australia, Singapore, Hong Kong and the BVI. The Group operates cross border logistics centres and coal processing plants situated on the China-Mongolia border at the Gants Mod, Ceke and Erlianhaote border crossings and on the China-Russia border at the Manzhouli border crossing. The Group also has coal processing and logistics operations situated at the Longkou and Bayuquan ports in order to process and transport seaborne coal imports.

On 8 April 2011, the Company issued the US$500,000,000 8.50% senior notes (the **Notes**) which are guaranteed by the 16 entities in the Group listed in Appendix B (the **Guarantors**). The Notes, which are listed on the Singapore exchange and are subject to New York law, are due to be repaid in April 2016, with coupons payable semi-annually in arrears on 8 April and 8 October of each year.

On 26 March 2015, the Company announced that the directors were giving careful consideration to the Company's future liquidity and performance and its available sources of funding in assessing whether the Group would be able to repay the Notes. In doing so, the Company took certain steps including engaging legal and financial advisors to assist it in completing a possible restructuring of the Notes and to negotiate with prospective investors to raise new capital.

On 8 April 2015, the Company announced that it had delayed payment of the coupon due of approximately US$13.15 million and on 8 May 2015 the Company issued a further announcement confirming that the coupon had not been paid and the grace period under the indenture to the Notes had expired. The Company also confirmed that a bondholder group had been formed for the purposes of facilitating discussions between the holders of the Notes and the Company, legal and financial advisors to the bondholder group had been appointed and a standstill agreement had been entered into in relation to a significant percentage of the outstanding Notes.

AlixPartners' role

Following our appointment as financial advisors to the Company on 2 March 2015 (as defined in the Engagement Letters), AlixPartners undertook the preparation of a high level liquidation analysis in order to provide the Company with a benchmark as to the potential outcome to holders of the Notes in the event a restructuring could not be completed, against which a restructuring proposal could be developed and negotiated with the holders of the Notes and their advisors.

This work was completed during March and April 2015 and was based on financial information provided to us as at 31 December 2014. The high level liquidation analysis was shared on a confidential and non-reliance basis with the legal and financial advisors to the holders of the Notes, Akin Gump Strauss Hauer & Feld LLP and Houlihan Lokey (Europe) Limited, and explanations were provided to them as to the methodology, key assumptions and limitations to our work.

Following the Company's announcement on 26 November 2015 that the Company, the Guarantors and certain consenting bondholders had entered into a restructuring support agreement, AlixPartners were requested to prepare an updated liquidation analysis to reconfirm for the directors of the Company the benchmark against which they had assessed the relative advantages of progressing with the proposed restructuring.

Background and methodology (cont'd)

A liquidation analysis provides an illustrative assessment of the realisable value of a group's assets if all entities within the group were to enter liquidation. A review of the relevant entities is undertaken and indicative recovery assumptions are applied to provide an estimated return to the group's creditors. This analysis can be used as a benchmark against which the proposed terms of a restructuring can be assessed.

In order to provide context to the outcomes derived from the Liquidation Analysis, we summarise below and on the next three pages the purpose of a liquidation analysis and our approach to preparing the Liquidation Analysis.

Purpose of a liquidation analysis

Illustrative outcome for creditors: The liquidation analysis is an illustrative analysis of the possible outcomes for creditors in the event that a restructuring is not implemented. This results in a hypothetical liquidation of each entity in the Group by way of insolvency filings in their respective jurisdictions.

Estimate of asset value: This analysis provides an indicative assessment of the value of the Group's property available to pay its creditors and their potential return.

Benchmark for alternatives: When considering the alternative options available to implement a restructuring of the Group, the liquidation analysis should allow a comparison to be made as to the return to creditors and, if appropriate, should support any assertions that an alternative solution will provide an enhanced outcome for creditors.

Approach to a liquidation analysis

Review of financial position: To complete the liquidation analysis, we have assessed the assets and liabilities of each entity in the Group against which holders of the Notes could establish a claim (ie. the Company and the Guarantors).

Assess indirect impact: We then consider the financial position of those entities that have assets of substance that may indirectly contribute to the returns to holders of the Notes (eg. through returns from intercompany receivables).

Apply recovery assumptions: From the available information, we then apply certain assumptions as to the realisable value of assets, the level of insolvency costs and details of any additional claims that may crystallise on an insolvency.

Creditor waterfall: the liabilities of each entity need to be assessed in order to identify potential claims that benefit from collateral interests, contractual or statutory priority.

Background and methodology (cont'd)

Methodology

The diagram on the right, flowing from bottom to top, summarises our approach to producing the Liquidation Analysis, which we expand on below. The Liquidation Analysis is an integrated financial model which provides an analysis of the assets and liabilities on an entity by entity basis.

Entity balance sheets

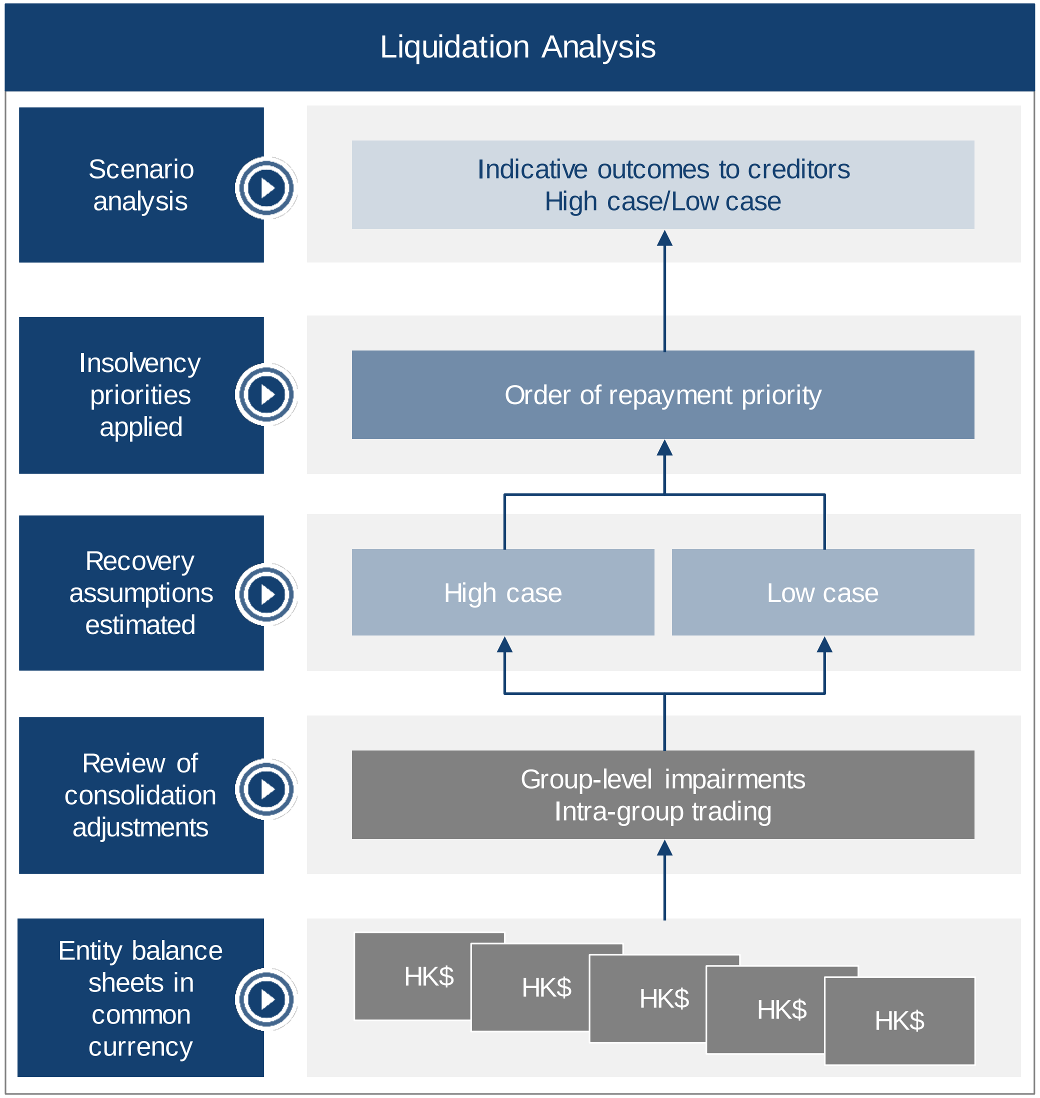
We have worked with the Group's finance department to assimilate and understand the balance sheets and supporting information for each of the 52 entities that are either wholly owned or in which the Group has a controlling interest. These balance sheets were provided to us in HK$, the Group's reporting currency, as at 30 November 2015 and have allowed us to build up an overall picture of the Group's financial position. The balance sheets are unaudited management accounts and have not been reviewed by the Company's auditor, KPMG.

Review of consolidation adjustments

The entity level balance sheets provided to us did not incorporate any Group-level consolidation adjustments. We reviewed the Group's consolidation adjustments with reference to their impact on the Liquidation Analysis. The adjustments comprised two categories, intra-group trading and Group-level asset impairments.

When reviewing the intra-group trading with reference to the entity level balance sheets, we sought to confirm that the intra-group trading was correctly reflected in the entity level balance sheets so that the flow of funds would be representative of a liquidation scenario.

When assessing the Group-level impairments, we discussed the nature and appropriateness of these with Management. The impairments primarily relate to the sale of the Group's investment in GCC, which was completed in September 2015, the estimated value of certain minority shareholdings and the recoverability of receivables due from a Mongolian logistics supplier, Moveday Enterprises Limited. We understand that Management has discussed these impairments with the Group's auditors, KPMG, however the impairments have not yet been subject to formal audit review and sign off.



Source: AlixPartners analysis

Background and methodology (cont'd)

Recovery assumptions estimated

Working with Management we have completed an assessment of the potential recoverability of the Group's assets in a liquidation scenario in both high case and low case scenarios.

The assumptions used in preparing the Liquidation Analysis are discussed in Section 3 and outlined in further detail in Appendix D.

Insolvency priorities applied

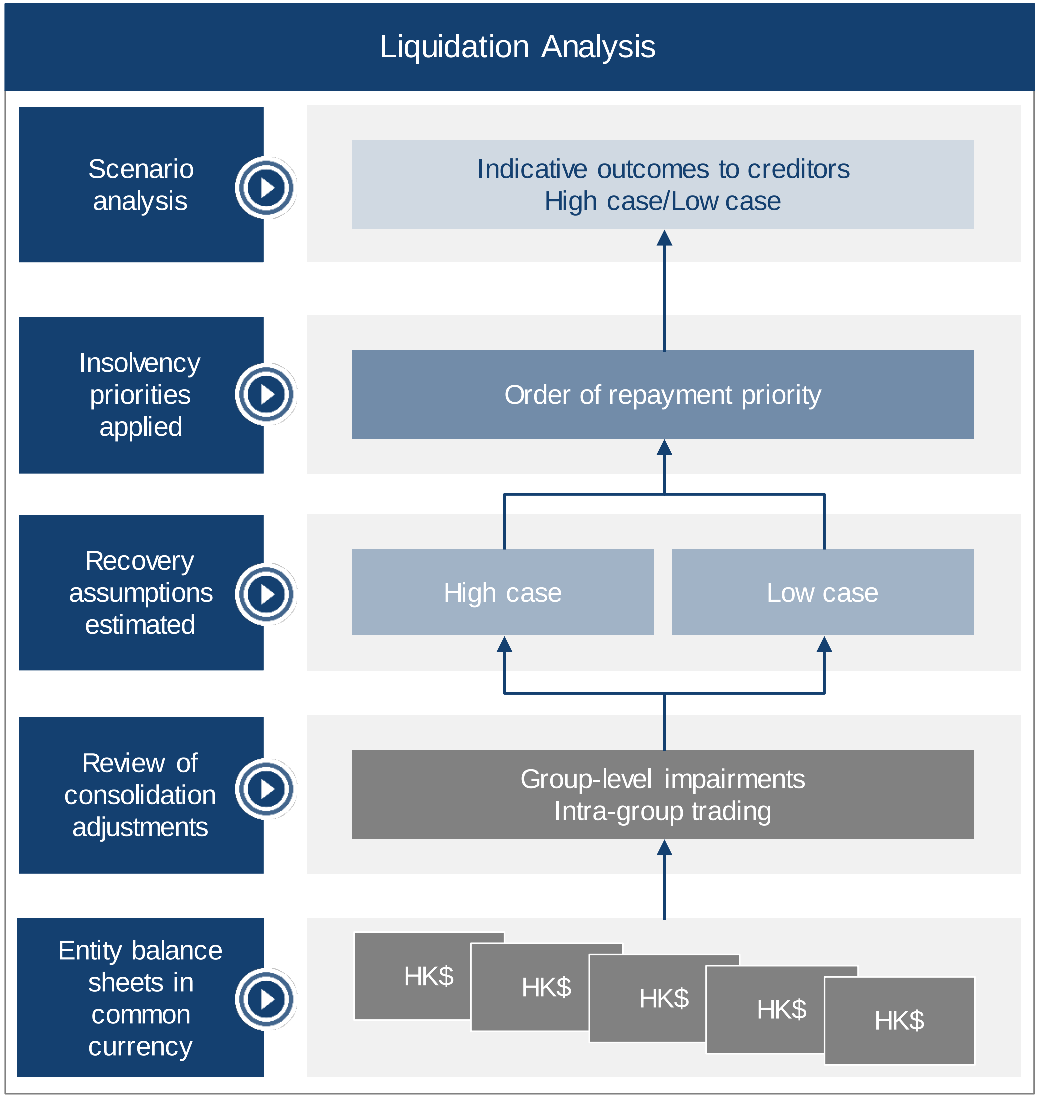
The estimated liabilities of each entity are assessed, including secured and unsecured liabilities, third party and intercompany creditors and taking into account the relevant insolvency priorities in the jurisdiction of each entity's incorporation.

The estimated asset realisations are applied in the general order of repayment when a company enters into an insolvency process, adjusted to reflect:

- our understanding of the Group's security structure vis à vis the Notes and the Lenders; and
- our assumption that there are limitations on the ability of any appointed insolvency practitioner to repatriate funds out of the PRC in partial repayment to off-shore creditors, due to strict capital controls.

Scenario analysis

The outcome of our work allows us to provide an assessment of the range of potential recoveries to different classes of creditors from a hypothetical liquidation of the Group, including identifying the estimated recoveries to holders of the Notes from various sources in high case and low case scenarios.



Source: AlixPartners analysis

Background and methodology (cont'd)

Sources of information

In preparing the Liquidation Analysis, AlixPartners has utilised the following sources of information:

- the most recent unaudited management accounts balance sheets for each entity in the Group as at 30 November 2015;
- additional information and supporting schedules in respect of various asset and liability balances included in the 30 November 2015 balance sheets;
- the Company's draft consolidated interim accounts as at 30 June 2015;
- discussions with the Company's Chief Executive Officer, Ms Flora Cao, and members of the Company's finance team;
- discussions with the Company's legal advisors;
- regulatory and investor announcements issued by the Company; and
- analysis reports prepared by a PRC based consultant in relation to the Group's main operating assets and the relevant macroeconomic, geographic and sector considerations likely to impact on any disposal of these assets in a liquidation process.

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Key assumptions and limitations

Overview of key assumptions

The outcomes derived from the Liquidation Analysis are based on a number of overarching assumptions as to how a hypothetical liquidation of the Group may unfold, namely:

- The Company is currently in default in respect of its obligations under the Notes due to the failure to pay coupon payments due on 8 April 2015 and 8 October 2015. In the event that the Company is unable to achieve a binding restructuring with holders of the Notes, it is assumed that the current restructuring support agreement is terminated and acceleration and enforcement action is commenced pursuant to the terms of the indenture;
- Guarantee claims crystallise against the Guarantors, resulting in these entities being insolvent. Share pledges provided by the Company and certain subsidiaries as security for the Notes are assumed to have no value due to the insolvency of the Guarantors;
- The subsequent knock on impact across the Group includes:
  - cross default in finance facilities provided by the Lenders, leading to withdrawal of credit;
  - suppliers withdrawing credit or requiring payment on delivery;
  - customers switching to alternative suppliers; and
  - the Group's funding requirements substantially increasing with no identifiable source of funding.
- With no ability to preserve the Group's operations in a co-ordinated manner, the directors of the Company and individual subsidiaries have no alternative but to file for insolvency protection in each of the jurisdictions in which the Group's entities are registered (BVI, Hong Kong, Singapore, Australia and the PRC);
- Insolvency practitioners are appointed across the Group to oversee the wind-down of each entity on an individual, stand-alone basis with no co-ordinated strategy between office-holders in different jurisdictions;
- The Group's Lenders are assumed to have valid, perfected security interests and proceed to take enforcement action to secure their rights against collateral held as security for existing facilities. In relation to the Group's fixed assets located in the PRC, it is assumed that these are sold by way of public auction supervised by the PRC Courts;
- Funds generated from asset realisations are assumed to flow around the Group (via intercompany balances) and to third party creditors in accordance with the applicable security and priority considerations; and
- A general provision is applied to asset realisations to reflect potential costs of winding up each entity (likely to include insolvency practitioner costs, legal advisors, sales agents and court costs).

Key assumptions and limitations (cont'd)

Overview of key assumptions (cont'd)

- There is no material litigation arising from the wind-down of individual entities in the Group which would otherwise delay the completion of asset realisations and/or distributions to creditors and which would result in significant additional liquidation costs being incurred.
- Entities in which the Group holds minority equity stakes are not subject to insolvency proceedings, with minority stakes capable of being sold to existing shareholders (high case scenario) or alternatively have a negligible realisable value (low case scenario). Following the disposal of the Group's 42.74% interest in GCC in September 2015 for consideration of US$1, the residual shareholding of 14.69% held in GCC is assumed to have no realisable value.

Asset realisation assumptions

Within the framework of the overarching assumptions as set out above and on the previous page, we have spent considerable time reviewing the nature of each category of asset held by each entity within the Group and obtaining Management's input on the appropriateness of realisation assumptions to be applied in the high case and low case scenarios of the Liquidation Analysis. We have relied significantly on Management's in depth knowledge and understanding of the Group's assets in determining the appropriateness of asset realisation assumptions to be applied.

It is important to note that all asset realisations are assumed to take place within a liquidation scenario, whereby assets are being sold and/or recoveries made in a distressed environment, and therefore do not represent going concern sale transactions. Accordingly, buyers will seek to apply significant distress discounts in relation to sale transactions whilst counter-parties will seek to set-off amounts owed to the Group with claims arising from the Group's insolvency.

In preparing the Liquidation Analysis, we have applied a materiality level of HK$775,770 (US$100,000) to balance sheet asset balances; that is, we assume 100% realisation for all balance sheet asset categories where the book value is below this threshold (unless specific reasons are identified to warrant a different assumption).

The specific assumptions applied to each asset class, together with supporting commentary, are outlined in Appendix D.

Key assumptions and limitations (cont'd)

Liquidation costs

For consistency of approach, we have applied broad assumptions in relation to the estimated costs associated with the liquidation and wind-down of each entity within the Group. Liquidation costs are likely to include insolvency practitioner costs, legal advisors, sales agents and court costs, and will relate to activities such as:

- completing required statutory duties relating to the liquidation process, including applicable Court proceedings and creditor reporting requirements;
- undertaking any statutory investigations into the events leading to the liquidation of individual entities;
- preserving and maintaining assets until sale (which may be for an extended period of time given the nature of the Group's operating assets);
- realising assets and pursuing asset recovery actions;
- implementing employee redundancies;
- handling creditor enquiries;
- adjudicating on third party and inter-company creditor claims; and
- distributing asset realisations to creditors in accordance with applicable priorities.

For the purposes of the Liquidation Analysis, liquidation costs are assumed as a percentage of asset realisations achieved in each entity, subject to certain parameters and caps. The liquidation cost assumptions are outlined in Appendix D.

Key assumptions and limitations (cont'd)

Creditor claims

Within the Liquidation Analysis, creditor claims comprise the following categories of claim:

Nature of creditor claim	Description
Secured lender claims	The Lenders have provided finance facilities to the Group in the form of letters of credit, loans and accounts receivable factoring facilities. As at 30 November 2015, the Lenders to the Group were owed HK$1.4 billion. This balance includes liabilities of approximately HK$193 million, comprising bills payable owing to three PRC based trading companies, which are secured against fixed deposits. For the purposes of the Liquidation Analysis these entities have been treated as lenders as they benefit from collateral security. The facilities provided by the Lenders each benefit from different collateral and guarantee arrangements. For the purposes of the Liquidation Analysis it is also assumed that the security has been validly granted and effective. Residual lender claims after the realisation of collateral rank as unsecured claims in the relevant borrowing entity.
Preferential claims	Preferential claims comprise amounts owing to employees in relation to salary and benefits together with estimated redundancy costs. The Group has 275 employees as at 30 November 2015 and Management has estimated total preferential employee claims at HK$51.3 million. It is also assumed that tax liabilities owed by PRC incorporated entities rank as preferential claims.
General unsecured claims	For the purposes of the Liquidation Analysis, the balance sheet liabilities for each entity have been used as a proxy for unsecured creditor claims. Management have not made us aware of any additional contingent claims that may crystallise on liquidation.
Intercompany claims	For the purposes of the Liquidation Analysis, we have created an intercompany matrix, which has required us to adjust certain intercompany balances from the source entity balance sheets, for both sides of the ledger (ie: receivable and creditor balances) to reconcile. Total intercompany creditor claims across all Group entities are HK$21.3 billion. Intercompany creditors are assumed to rank as unsecured claims, with the exception that amounts owed by PRC entities to offshore Group entities are assumed to be subordinated to the claims of Group entities and third party creditors located within the PRC. This is a practical assumption aimed at recognising the potential difficulties in transferring funds outside of the PRC in a liquidation scenario, as well as the possibility that the interests of PRC based creditors obtain preference to offshore Group entities controlled by insolvency practitioners.
Claims relating to the Notes	The holders of the Notes benefit from guarantees provided by the Guarantors and also share pledges over the shares in the Guarantors. Guarantee claims are included as unsecured claims in each Guarantor for the full value of the outstanding principal and interest of the Notes (calculated at HK$2.6 billion as at 30 November 2015), on the basis there are insufficient realisations to repay the Notes in full.

Key assumptions and limitations (cont'd)

Key limitations

We bring to your attention the following limitations in respect of the Liquidation Analysis:

- It should be noted that by its nature, the Liquidation Analysis is illustrative of the potential outcomes following an entity by entity liquidation of the Group and therefore should be considered directional in nature only. To the extent that the assumptions used as set out herein do not hold true, or require further refinement, this may have an impact on the conclusions reached and the possible outcome to holders of the Notes.
- The Liquidation Analysis has been prepared by AlixPartners based on information received, explanations and assumptions provided by the Company and its Management. This includes information and advice provided to the Company from other advisors on which we have no reliance. No independent verification has been completed in respect of information provided to us; to the extent that information, explanations or assumptions are incomplete or inaccurate, the possible outcomes may change.
- The Liquidation Analysis has been completed as at a specific point in time, based on the unaudited financial position of the Group as at 30 November 2015 and the individual unaudited balance sheets for each entity in the Group as at this date. As the Group's financial position continues to change over time (and indeed is likely to continue to deteriorate in the absence of a binding restructuring being completed), so the possible outcomes derived from the Liquidation Analysis are also likely to change.
- The Liquidation Analysis assumes that all assets are realised at the same time and are simultaneously distributed to creditors of each entity in the Group. In reality, the insolvency of individual estates, the realisation of assets and distributions to creditors are likely to take place over an extended period of time (months if not years) and returns to creditors (including holders of the Notes) delivered in a less efficient manner than is assumed in the Liquidation Analysis.
- It is assumed that the disposal of fixed assets does not crystalise any tax liabilities payable. No detailed tax analysis has been completed in respect of the Liquidation Analysis and if any tax liabilities were to arise, the estimated outcome for creditors (including holders of the Notes) may be negatively affected.
- In a liquidation scenario, it is common for creditor claims to be higher than the stated book value, due to contingent claims crystallising and other claims arising (e.g: damages claims arising due to breach of contract). Other than contingent and guarantee claims relating to the Notes and the Lenders, we have not been made aware of any other contingent claims that may crystallise upon the liquidation of the Group. Any such claims may lead to an increased level of unsecured claims which may negatively impact on the estimated outcome for creditors, including holders of the Notes.
- Appendix F outlines certain risk factors that we have considered during the course of our work but we have not reflected in the modelling of the outcome to the holders of the Notes. Should any of these risk factors occur in an actual liquidation of the Group, it is possible that the outcome to the holders of the Notes may differ from the estimated outcomes modelled.

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Liquidation Analysis – overview

The table opposite provides an overview of the estimated net realisations available to creditors following the realisation of all assets of the Group and illustrates how these realisations are distributed to each class of creditor. The table represents the cumulative position for each asset and creditor class – that is, represents the totals derived from the analysis of all 52 individual entities in the Group.

We make the following observations in relation to the outcomes derived from the Liquidation Analysis:

- The Liquidation Analysis illustrates that net realisations available to creditors would be in the region of HK$1.38 billion to HK$1.71 billion (after estimated liquidation costs are deducted). The table excludes forecast intercompany receipts, which merely represent the onward transmission of asset realisations within the Group in partial repayment of intercompany creditor balances.
- The significant majority of these realisations are generated from subsidiaries (and assets) situated in the PRC; 83.8% of net realisations in the high case scenario and 88.0% of net realisations in the low case scenario.
- The Lenders benefit from collateral security across various classes of assets, including fixed assets, construction in progress, land use rights, bills receivable and fixed deposits, from which they are estimated to recover between HK$939.5 million and HK$1.0 billion of amounts owed (a return of 67.2% to 72.1%). Appendix A provides an overview of the Lenders' exposure and their respective collateral at 30 November 2015. When recoveries from the unsecured residual claims and guarantee claims of the Lenders are also included, the estimated total returns to the Lenders from all sources increase to between 86.3% and 96.7%.
- Total recoveries to holders of the Notes from all sources (comprising their direct claim against the Company and recoveries from the Guarantors) are estimated at between HK$123.9 million and HK$273.8 million, a return of between 4.7% to 10.4% in respect of the HK$2.6 billion of outstanding principal and interest payable as at 30 November 2015.

Overview of estimated returns to creditors

		High Case		Low Case	
HK$ M	**NBV**	**ERV**	**%**	**ERV**	**%**
Fixed Assets	819.2	133.9	*16.3%*	79.6	*9.7%*
Construction in progress	89.3	29.0	*32.4%*	14.8	*16.6%*
Land Use Rights	505.5	109.4	*21.6%*	67.1	*13.3%*
Bills receivable	268.3	240.1	*89.5%*	240.1	*89.5%*
Fixed deposits	842.6	842.6	*100.0%*	842.6	*100.0%*
Intangible assets	5.1	0.0	*0.0%*	0.0	*0.0%*
Inventories	72.1	51.4	*71.3%*	43.4	*60.2%*
Cash and cash equivalents	133.4	103.3	*77.5%*	103.3	*77.5%*
Trade receivables	232.0	103.9	*44.8%*	89.8	*38.7%*
Prepayment	207.3	112.0	*54.0%*	53.2	*25.7%*
Other receivables	170.3	59.6	*35.0%*	0.0	*0.0%*
Interest in a joint venture	16.1	15.5	*96.0%*	11.7	*72.8%*
Other investments in equity securities	381.4	96.2	*25.2%*	0.0	*0.0%*
Other non-current assets	17.4	3.5	*20.0%*	0.0	*0.0%*
Entrust Loans	127.1	25.4	*20.0%*	0.0	*0.0%*
Total asset realisations	**3,887.2**	**1,925.7**		**1,545.7**	
Liquidation costs		(215.9)		(161.0)	
Net assets available for distribution		**1,709.8**		**1,384.7**	
Distributions					
Secured onshore lenders	1,398.1	(939.5)	*67.2%*	(1,007.6)	*72.1%*
Priority creditors	58.1	(26.2)	*45.1%*	(24.8)	*42.7%*
Unsecured creditors					
- Unsecured onshore lender claims	n/a	(412.4)	*n/a*	(198.7)	*n/a*
- General unsecured creditors	494.3	(58.0)	*11.7%*	(29.6)	*6.0%*
- Noteholders	2,620.6	(273.8)	*10.4%*	(123.9)	*4.7%*
Total distributions		**(1,709.8)**		**(1,384.6)**	

Source: AlixPartners analysis. All amounts in HK$. Minor rounding differences may occur.

Liquidation Analysis – overview (cont'd)

Alternative adjustments considered

In completing our work we have also considered the impact certain other adjustments, if made, would have on the range of estimated returns to holders of the Notes. These are set out below for information only, and do not form part of our conclusions.

- We have not included the impairment of certain minority shareholdings with a book value of HK$266 million proposed by the Group in our analysis as these remain subject to review and agreement with the Company's auditors. If these impairments were reflected in the Liquidation Analysis, it would not impact the low case (as these investments are assumed to have zero recovery value), whilst in the high case, estimated return to holders of the Notes would reduce to approximately 9.5%.
- Under the PRC Enterprise Bankruptcy Law, creditors of the same category will be treated in the same way, whether creditors are within or outside the PRC. However, for the purposes of the Liquidation Analysis, it is assumed that intercompany creditors located outside of the PRC will face difficulties in establishing and enforcing their rights, resulting in structural subordination to PRC based creditors. In the absence of this assumption, where funds flow unimpeded across the Group, estimated return to holders of the Notes is likely to increase to between 8.7% and 14.1%.

Overview of estimated returns to creditors

		High Case		Low Case	
HK$ M	**NBV**	**ERV**	**%**	**ERV**	**%**
Fixed Assets	819.2	133.9	*16.3%*	79.6	*9.7%*
Construction in progress	89.3	29.0	*32.4%*	14.8	*16.6%*
Land Use Rights	505.5	109.4	*21.6%*	67.1	*13.3%*
Bills receivable	268.3	240.1	*89.5%*	240.1	*89.5%*
Fixed deposits	842.6	842.6	*100.0%*	842.6	*100.0%*
Intangible assets	5.1	0.0	*0.0%*	0.0	*0.0%*
Inventories	72.1	51.4	*71.3%*	43.4	*60.2%*
Cash and cash equivalents	133.4	103.3	*77.5%*	103.3	*77.5%*
Trade receivables	232.0	103.9	*44.8%*	89.8	*38.7%*
Prepayment	207.3	112.0	*54.0%*	53.2	*25.7%*
Other receivables	170.3	59.6	*35.0%*	0.0	*0.0%*
Interest in a joint venture	16.1	15.5	*96.0%*	11.7	*72.8%*
Other investments in equity securities	381.4	96.2	*25.2%*	0.0	*0.0%*
Other non-current assets	17.4	3.5	*20.0%*	0.0	*0.0%*
Entrust Loans	127.1	25.4	*20.0%*	0.0	*0.0%*
Total asset realisations	**3,887.2**	**1,925.7**		**1,545.7**	
Liquidation costs		(215.9)		(161.0)	
Net assets available for distribution		**1,709.8**		**1,384.7**	
Distributions					
Secured onshore lenders	1,398.1	(939.5)	*67.2%*	(1,007.6)	*72.1%*
Priority creditors	58.1	(26.2)	*45.1%*	(24.8)	*42.7%*
Unsecured creditors					
- Unsecured onshore lender claims	n/a	(412.4)	*n/a*	(198.7)	*n/a*
- General unsecured creditors	494.3	(58.0)	*11.7%*	(29.6)	*6.0%*
- Noteholders	2,620.6	(273.8)	*10.4%*	(123.9)	*4.7%*
Total distributions		**(1,709.8)**		**(1,384.6)**	

Source: AlixPartners analysis. All amounts in HK$. Minor rounding differences may occur.

Liquidation Analysis – overview (cont'd)

Realisations from PRC based subsidiaries

With the majority of the Group's operating assets situated in the PRC, the return to holders of the Notes will be impacted by the availability of PRC asset realisations to repay both intercompany balances and, where all creditor claims are discharged, to return equity distributions.

The table opposite provides an overview of the estimated net realisations achieved from the liquidation of the PRC based subsidiaries of the Group and illustrates how these realisations are likely to be distributed to each class of creditor.

Intercompany creditors are assumed to rank as unsecured claims, with the exception that amounts owed by PRC entities to offshore Group entities are assumed to be subordinated to the claims of PRC group entities and third party creditors. This is a practical assumption aimed at recognising the potential difficulties in transferring funds outside of the PRC in a liquidation scenario, as well as the possibility that the interests of PRC based creditors obtain preference to offshore entities controlled by insolvency practitioners.

Of the estimated net assets available for distribution of between HK$2.13 billion and HK$3.07 billion, only HK$38.2 million to HK$151.9 million (between 1.8% and 4.9% of net assets available for distribution) is estimated to be repatriated to subsidiaries situated outside of the PRC. As holders of the Notes do not have direct claims against PRC based subsidiaries, they are reliant on realisations flowing out of the PRC to offshore subsidiaries in order for those realisations to become available to the Borrower or the Guarantors.

Overview of estimated returns to creditors from PRC subsidiaries

		High Case		Low Case	
HK$ M	**NBV**	**ERV**	**%**	**ERV**	**%**
Fixed Assets	818.6	133.2	*16.3%*	78.9	*9.6%*
Construction in progress	89.3	29.0	*32.4%*	14.8	*16.6%*
Land Use Rights	505.5	109.4	*21.6%*	67.1	*13.3%*
Bills receivable	268.3	240.1	*89.5%*	240.1	*89.5%*
Fixed deposits	842.6	842.6	*100.0%*	842.6	*100.0%*
Intangible assets	5.0	0.0	*0.0%*	0.0	*0.0%*
Inventories	72.1	51.4	*71.3%*	43.4	*60.2%*
Cash and cash equivalents	42.8	29.5	*68.9%*	29.5	*68.9%*
Trade receivables	138.4	32.6	*23.5%*	27.5	*19.8%*
Prepayment	21.9	7.0	*32.3%*	4.5	*20.4%*
Other receivables	97.1	24.1	*24.9%*	0.0	*0.0%*
Interest in a joint venture	16.1	15.5	*96.0%*	11.7	*72.8%*
Other investments in equity securities	381.4	96.2	*25.2%*	0.0	*0.0%*
Other non-current assets	17.4	3.5	*20.0%*	0.0	*0.0%*
Total asset realisations	**3,316.5**	**1,614.1**		**1,360.1**	
Intercompany receivables	5,536.1	1,542.0		865.0	
Investment in subsidiaries	3,488.7	92.2		38.2	
Costs of realisation		(175.4)		(134.3)	
Net assets available for distribution		**3,073.0**		**2,128.9**	
Distributions					
Secured onshore lenders		(939.5)		(1,007.6)	
Priority creditors		(20.0)		(19.8)	
Unsecured creditors					
- Unsecured onshore lender claims		(412.4)		(198.7)	
- General unsecured creditors		(56.4)		(28.9)	
- Intercompany creditors		(1,492.8)		(835.8)	
- Noteholders		0.0		0.0	
- Subordinated intercompany creditors		(59.7)		0.0	
- Dividend payments to parent entities		(92.2)		(38.2)	
Total distributions		**(3,073.0)**		**(2,128.9)**	

Source: AlixPartners analysis

Liquidation Analysis – overview (cont'd)

Realisations from PRC based subsidiaries (cont'd)

This outcome is primarily driven by the following factors:

1. The Lenders have either direct or guarantee security over the majority of the Group's operational assets situated in the PRC;
2. The estimated realisations from the Group's main operating assets in a liquidation scenario are expected to be significantly lower than current book values (refer to Appendix D for further details on the asset realisation assumptions used); and
3. Due to the Lenders' structural priority over claims of holders of the Notes, they also obtain recoveries from their ability to claim as unsecured creditors in relevant entities where there is a shortfall in realisations from security held.

It should be noted that in a situation where funds can flow unimpeded across the Group (i.e: between PRC and offshore subsidiaries), increasing intercompany realisations for the Borrower and the Guarantors, overall returns to the holders of the Notes are estimated to increase from between 4.7% and 10.4% to between 8.7% and 14.1%.

Overview of estimated returns to creditors from PRC subsidiaries

		High Case		Low Case	
HK$ M	**NBV**	**ERV**	**%**	**ERV**	**%**
Fixed Assets	818.6	133.2	*16.3%*	78.9	*9.6%*
Construction in progress	89.3	29.0	*32.4%*	14.8	*16.6%*
Land Use Rights	505.5	109.4	*21.6%*	67.1	*13.3%*
Bills receivable	268.3	240.1	*89.5%*	240.1	*89.5%*
Fixed deposits	842.6	842.6	*100.0%*	842.6	*100.0%*
Intangible assets	5.0	0.0	*0.0%*	0.0	*0.0%*
Inventories	72.1	51.4	*71.3%*	43.4	*60.2%*
Cash and cash equivalents	42.8	29.5	*68.9%*	29.5	*68.9%*
Trade receivables	138.4	32.6	*23.5%*	27.5	*19.8%*
Prepayment	21.9	7.0	*32.3%*	4.5	*20.4%*
Other receivables	97.1	24.1	*24.9%*	0.0	*0.0%*
Interest in a joint venture	16.1	15.5	*96.0%*	11.7	*72.8%*
Other investments in equity securities	381.4	96.2	*25.2%*	0.0	*0.0%*
Other non-current assets	17.4	3.5	*20.0%*	0.0	*0.0%*
Total asset realisations	**3,316.5**	**1,614.1**		**1,360.1**	
Intercompany receivables	5,536.1	1,542.0		865.0	
Investment in subsidiaries	3,488.7	92.2		38.2	
Costs of realisation		(175.4)		(134.3)	
Net assets available for distribution		**3,073.0**		**2,128.9**	
Distributions					
Secured onshore lenders		(939.5)		(1,007.6)	
Priority creditors		(20.0)		(19.8)	
Unsecured creditors					
- Unsecured onshore lender claims		(412.4)		(198.7)	
- General unsecured creditors		(56.4)		(28.9)	
- Intercompany creditors		(1,492.8)		(835.8)	
- Noteholders		0.0		0.0	
- Subordinated intercompany creditors		(59.7)		0.0	
- Dividend payments to parent entities		(92.2)		(38.2)	
Total distributions		**(3,073.0)**		**(2,128.9)**	

Source: AlixPartners analysis

Section

1. Introduction
2. Background and methodology
3. Key assumptions and limitations
4. Liquidation Analysis – overview
5. **Source of estimated returns to holders of the Notes**

Appendices

A. Summary of PRC based lenders

B. Borrower and subsidiary guarantors of the Notes

C. Group structure chart and schedule of Group entities

D. Schedule of key assumptions

E. Liquidation Analysis – borrower and subsidiary guarantors

F. Risk factors relating to the Liquidation Analysis

Source of estimated returns to holders of the notes

Pursuant to the indenture, holders of the Notes benefit from claims against the Borrower and the Guarantors (as listed in Appendix B). The table opposite summarises the estimated returns to holders of the Notes from each company against which they have a direct claim, and illustrates that returns are derived from only four of the 17 companies against which they have direct claims.

The key drivers of the estimated recoveries to holders of the Notes are:

- cash or cash equivalent balances held by the Guarantors;
- trade or other receivables realisable by the Guarantors; and
- intercompany receivables.

The repayment of intercompany receivables represents approximately 28.8% of total returns to holders of the Notes in the high case scenario and 14.7% in the lower case scenario. Eventual returns to holders of the Notes as modelled in the Liquidation Analysis are therefore reliant on the ability to distribute funds efficiently across the Group (based on the agreement of intercompany creditor positions). This is potentially challenging in a situation where there are likely to be multiple insolvency practitioners in office representing different Group entities, and potential issues associated with the free flow of funds out of the PRC in partial repayment of intercompany claims.

Set out on the following pages are extracts from the Liquidation Analysis that outline the estimated realisations and distributions to creditors of the Company (as Borrower) and the four Guarantor subsidiaries from which holders of the Notes are estimated to receive a return.

In relation to Guarantors from whom holders of the Notes do not receive a return, extracts from the Liquidation Analysis for each of these entities are detailed in Appendix E.

Source of estimated returns to holders of the Notes

HK$ M		High Case		Low Case	
Entity name	**NBV**	**ERV**	**%**	**ERV**	**%**
Winsway Resources (HK) Holdings Limited		83.5		22.3	
Cheer Top Enterprises Limited		1.7		0.9	
Color Future International Limited		50.9		2.0	
Winsway Resources Holdings Private Limited		137.7		98.8	
Estimated return	**2,620.6**	**273.8**	**10.4%**	**123.9**	**4.7%**

Source: AlixPartners analysis

Source of estimated returns to holders of the Notes (cont'd)

Winsway Enterprises Holdings Ltd

The Company, a BVI incorporated entity, is the ultimate parent of the Group. It is listed on the Hong Kong Stock Exchange and it is also the Borrower under the Notes.

The Company's primary assets are its investments in subsidiaries and intercompany receivables which have arisen as funds raised from the Company's stock exchange listing and the issuance of the Notes have been utilised throughout the Group to meet the investment, capex and operational funding requirements of the Group.

We make the following comments in respect of the estimated outcome statement in relation to the Company:

Cash and cash equivalents: The Group operates a group-wide treasury function and cash is moved around the Group as necessary to meet its operational needs. We anticipate that the Company's existing cash reserves will continue to be used to meet both the ongoing restructuring costs and the operational needs of the Company. Accordingly, in the event that the proposed restructuring is unsuccessful, we expect cash and cash equivalents to be lower than the available balance of HK$4.8 million as at 30 November 2015.

Intercompany receivables: All of the Company's intercompany receivables are due from subsidiaries based outside of the PRC, and therefore owed by entities that have limited tangible resources to repay and/or have significant unsecured creditor liabilities (due to the guarantee claims relating to the Notes), which dilute distributions in relation to outstanding intercompany receivables.

Investment in subsidiaries: Other than intercompany receivables, the Company's other main assets are its equity investments in subsidiaries, that comprise a number of BVI, Hong Kong and Singapore incorporated entities. In a liquidation scenario, all entities in the Group are placed into liquidation and therefore equity held in subsidiaries only has any value if there are sufficient realisations to discharge all creditor claims in full (which there is not in this case).

Return to holders of the Notes: It is estimated that there will only be sufficient realisations to enable a partial distribution in respect of preferential claims of employees of the Company, and therefore insufficient funds to enable a return to unsecured creditors of the Company, including holders of the Notes.

Overview of estimated returns to creditors

HK$ M		High Case		Low Case	
Asset Realisations	**NBV**	**ERV**	**%**	**ERV**	**%**
Cash and cash equivalents	4.8	3.9	*81.0%*	3.9	*81.0%*
Intercompany receivables	7,377.8	3.1	*0.0%*	2.0	*0.0%*
Investment in subsidiary	498.7	0.0	*0.0%*	0.0	*0.0%*
Total asset realisations	**7,882.8**	**7.0**		**5.8**	
Costs of realisation		(3.9)		(3.9)	
Net assets available for distribution		**3.1**		**1.9**	
Distributions					
Priority creditors	27.9	3.1	*11.1%*	1.9	*7.0%*
Unsecured creditors					
- General unsecured creditors	4.8	0.0	*0.0%*	0.0	*0.0%*
- Intercompany payables	1,145.5	0.0	*0.0%*	0.0	*0.0%*
- Noteholders	2,620.6	0.0	*0.0%*	0.0	*0.0%*
Total distributions		**3.1**		**1.9**	

Source: AlixPartners analysis

Source of estimated returns to holders of the Notes (cont'd)

Winsway Resources (HK) Holdings Limited

Winsway Resources is a investment holding company registered in Hong Kong. Winsway Resources is the holding company for Cheer Top and Lush Power (guarantors of the Notes), and also undertakes certain trading activities in relation to the importing of seaborne coal.

We make the following comments in respect of the estimated outcome statement in relation to Winsway Resources:

Cash and cash equivalents: We anticipate that Winsway Resources' existing cash reserves will be continued to be used to meet both the ongoing restructuring costs and the operational needs of the Company and will therefore be lower than the available balance as at 30 November 2015.

Prepayments and other receivables: The outstanding balances primarily relate to profit margins due on completion of contracts for the importing of seaborne coal entered into with trading agents. The recoverability of these profit margins in a liquidation scenario is dependant upon the completion of these contracts.

Intercompany receivables: 93.6% of Winsway Resources' intercompany receivables are due from subsidiaries based outside of the PRC, and therefore owed by entities that have limited tangible resources to repay and/or have significant unsecured creditor liabilities (due to the guarantee claims relating to the Notes), which dilute distributions in relation to outstanding intercompany receivables.

Investment in subsidiaries: Winsway Resources' three subsidiaries are all incorporated outside of the PRC. In a liquidation scenario, they will be placed into liquidation and therefore the equity held only has any value if there are sufficient realisations to discharge all creditor claims in full (which there is not in this case).

Entrust loans: This balance relates to certain receivables due from a Mongolian logistics supplier, Moveday, which has recently confirmed it is unable to repay the amounts due. Accordingly, recoveries from this loan are expected to be limited.

Return to holders of the Notes: The guarantee claim arising pursuant to the Notes is the largest creditor claim against Winsway Resources, representing approximately 80.6% of unsecured creditor claims. Accordingly, holders of the Notes are estimated to receive a significant proportion of realisations achieved in a liquidation scenario.

Overview of estimated returns to creditors

HK$ M		High Case		Low Case	
Asset Realisations	**NBV**	**ERV**	**%**	**ERV**	**%**
Cash and cash equivalents	17.4	14.1	*81.0%*	14.1	*81.0%*
Prepayment	50.8	32.7	*64.3%*	18.2	*35.8%*
Other receivables	70.8	35.4	*50.0%*	0.0	*0.0%*
Intercompany receivables	390.0	1.6	*0.4%*	1.1	*0.3%*
Subordinated intercompany receivables	n/a	7.7	*n/a*	0.0	*n/a*
Property, plant and equipment	0.3	0.3	*100.0%*	0.3	*100.0%*
Investment in subsidiary	212.5	0.0	*0.0%*	0.0	*0.0%*
Entrust Loans	127.1	25.4	*20.0%*	0.0	*0.0%*
Total asset realisations	**868.9**	**117.2**		**33.7**	
Costs of realisation		(11.6)		(3.9)	
Net assets available for distribution		**105.6**		**29.8**	
Distributions					
Priority creditors	2.1	2.1	*100.0%*	2.1	*100.0%*
Unsecured creditors					
- General unsecured creditors	8.2	0.3	*3.2%*	0.1	*0.9%*
- Intercompany payables	620.7	19.8	*3.2%*	5.3	*0.9%*
- Noteholders	2,620.6	83.5	*3.2%*	22.3	*0.9%*
Total distributions		**105.6**		**29.8**	

Source: AlixPartners analysis

Source of estimated returns to holders of the Notes (cont'd)

Cheer Top Enterprises Ltd

Cheer Top is a investment holding company registered in the BVI. As an interim holding company within the Group, its assets are limited to investments in subsidiaries registered in Hong Kong, BVI and the PRC and intercompany receivables.

We make the following comments in respect of the estimated outcome statement in relation to Cheer Top:

- **Intercompany receivables:** HK$103.1 million of Cheer Top's intercompany receivables (55.5%) is due from Beijing Winsway Investment Management Co. Ltd, a PRC incorporated entity. It is assumed that this claim is subordinated to claims of PRC based creditors and accordingly no recovery would be made from this source. Intercompany receivable realisations are received from other subsidiaries based outside of the PRC.
- **Investment in subsidiaries:** In a liquidation scenario, all entities in the Group are placed into liquidation and therefore equity held in subsidiaries only has any value if there are sufficient realisations to discharge all creditor claims in full (which there is not in this case).
- **Return to holders of the Notes:** As an interim holding company in the Group, Cheer Top's unsecured creditors are limited to intercompany claims and the guarantee claim arising pursuant to the Notes. The limited recoveries from its assets are split on a pari passu basis between these creditors.

Overview of estimated returns to creditors

HK$ M		High Case		Low Case	
Asset Realisations	**NBV**	**ERV**	**%**	**ERV**	**%**
Cash and cash equivalents	0.2	0.2	*100.0%*	0.2	*100.0%*
Intercompany receivables	185.7	3.2	*1.7%*	1.6	*0.9%*
Investment in subsidiary	2,173.4	0.0	*0.0%*	0.0	*0.0%*
Total asset realisations	**2,359.2**	**3.4**		**1.8**	
Costs of realisation		(0.2)		(0.2)	
Net assets available for distribution		**3.2**		**1.6**	
Distributions					
Unsecured creditors					
- Intercompany payables	2,167.9	1.4	*0.1%*	0.7	*0.0%*
- Noteholders	2,620.6	1.7	*0.1%*	0.9	*0.0%*
Total distributions		**3.2**		**1.6**	

Source: AlixPartners analysis

Source of estimated returns to holders of the Notes (cont'd)

Color Future International Ltd

Color Future is a BVI registered entity which undertakes coal trading activities. Its primary assets are prepayments made in relation to the coal trading and intercompany receivables.

We make the following comments in respect of the estimated outcome statement in relation to Color Future:

- **Prepayment:** The majority of this asset class relates to prepayments for inventory under coal trading contracts. As these contracts have been committed to by Color Future, any recovery of such prepayment in a liquidation scenario is expected to be low as coal trading contracts will still need to be honoured by Color Future in order to mitigate the risk of counter-claims arising.
- **Intercompany receivables:** 74.2% of Color Future's intercompany receivables are due from subsidiaries based outside of the PRC, and therefore owed by entities that have limited tangible resources to repay and/or have significant unsecured creditor liabilities (due to the guarantee claims relating to the Notes), which dilute distributions in relation to outstanding intercompany receivables.

  Color Future has an intercompany receivable of HK$378.2 million owed from Haotong Energy, a PRC registered entity. This receivable is treated as a subordinated claim in Haotong Energy's estate, however as estimated realisations appear sufficient to pay PRC based creditors, there is estimated to be sufficient funds to enable a distribution of HK$51.0 million to Color Future, a distribution of 13.5% of the intercompany claim.
- **Return to holders of the Notes:** the distribution received in respect of Color Future's substantial intercompany and subordinated intercompany claims drive the return to unsecured creditors, of which the guarantee claim in respect of the Notes represents 82.4% of total unsecured creditor claims.

Overview of estimated returns to creditors

HK$ M		High Case		Low Case	
Asset Realisations	**NBV**	**ERV**	**%**	**ERV**	**%**
Cash and cash equivalents	0.4	0.4	*100.0%*	0.4	*100.0%*
Prepayment	19.3	3.7	*19.1%*	0.0	*0.0%*
Intercompany receivables	1,466.0	8.3	*0.6%*	2.5	*0.2%*
Subordinated intercompany receivables	n/a	51.0	*n/a*	0.0	*n/a*
Total asset realisations	**1,485.8**	**63.5**		**2.9**	
Costs of realisation		(1.7)		(0.4)	
Net assets available for distribution		**61.7**		**2.4**	
Distributions					
Unsecured creditors					
- General unsecured creditors	31.2	0.6	*1.9%*	0.0	*0.1%*
- Intercompany payables	526.9	10.2	*1.9%*	0.4	*0.1%*
- Noteholders	2,620.6	50.9	*1.9%*	2.0	*0.1%*
Total distributions		**61.7**		**2.4**	

Source: AlixPartners analysis

Source of estimated returns to holders of the Notes (cont'd)

Winsway Resources Holdings Private Ltd

Winsway Resources Holdings is a subsidiary of the Company which is registered in Singapore. Its primary activities are coal trading and it undertakes the majority of its operations in Singapore.

The key assets held by Winsway Resources Holdings are a combination of intercompany receivables and assets in relation to its trading business. We make the following comments in respect of the estimated outcome statement in relation to Winsway Resources Holdings:

- **Cash and cash equivalents:** Similar to other entities with cash balances, we expect cash resources to be lower than the available balance as at 30 November 2015 due to the payment of operational and restructuring commitments.
- **Trade receivables:** These balances relate to outstanding balances with onshore entities with which Winsway Resources Holdings has an ongoing trading relationship. These balances are current receivables and considered to have a high likelihood of recovery.
- **Prepayments:** The outstanding balances primarily relate to profit margins due on completion of contracts for the importing of seaborne coal entered into with trading agents. The recoverability of these profit margins in a liquidation scenario would be dependant upon the completion of these contracts.
- **Intercompany receivables:** 71.5% of Winsway Resources Holdings' intercompany receivables are due from subsidiaries based outside of the PRC, from which it recovers HK$32.1 million in distributions.

  Winsway Resources Holdings has a number of intercompany receivables due from Group entities based in the PRC. These receivables are treated as a subordinated claims in the estates of the PRC entities and there are limited recoveries estimated to be derived from these receivables.
- **Return to holders of the Notes:** the guarantee claim in respect of the Notes represents 76.9% of total unsecured creditor claims, resulting in holders of the Notes receiving the majority of funds available for distribution to unsecured creditors of Winsway Resources Holdings.

Overview of estimated returns to creditors

HK$ M		High Case		Low Case	
Asset Realisations	**NBV**	**ERV**	**%**	**ERV**	**%**
Cash and cash equivalents	62.4	50.6	*81.0%*	50.6	*81.0%*
Trade receivables	56.3	45.0	*80.0%*	39.4	*70.0%*
Prepayment	115.3	68.5	*59.4%*	30.5	*26.5%*
Other receivables	0.9	0.0	*0.0%*	0.0	*0.0%*
Intercompany receivables	810.8	32.1	*4.0%*	21.5	*2.7%*
Subordinated intercompany receivables	n/a	1.0	*n/a*	0.0	*n/a*
Property, plant and equipment	0.1	0.1	*100.0%*	0.1	*100.0%*
Total asset realisations	**1,045.7**	**197.2**		**142.1**	
Costs of realisation		(17.4)		(13.0)	
Net assets available for distribution		**179.8**		**129.1**	
Distributions					
Priority creditors	0.6	0.6	*100.0%*	0.6	*100.0%*
Unsecured creditors					
- Unsecured onshore lender claims	n/a	n/a	*n/a*		*n/a*
- General unsecured creditors	14.3	0.8	*5.3%*	0.5	*3.8%*
- Intercompany payables	775.3	40.7	*5.3%*	29.2	*3.8%*
- Noteholders	2,620.6	137.7	*5.3%*	98.8	*3.8%*
Total distributions		**179.8**		**129.1**	

Source: AlixPartners analysis

Section

Appendix A – Summary of PRC based lenders

PRC based lenders

Lender	Total (HK$ M)	Collateral
Everbright Andingmen	201.5	Credit guarantee
		Property
		Land
		Land use right mortgage
Beijing ICBC	48.5	Bankers' acceptances
Bank of China, the coastal city of Qinhuangdao City Branch	124.0	Fixed deposits
Industrial Bank of Baotou Sales	107.9	Electronic acceptances pledged
		Property
		Land
		Credit guarantee
Yingkou Branch of Shanghai Pudong Development Bank	76.5	Dollar mortgage pledge
Hohhot Branch of China CITIC Bank	187.1	BVI credit
		Property
		Land
		Credit guarantee
Run-branch of Bank of Hohhot	289.4	Property
		Land
		Credit guarantee
Jilin Tonghua two river banks Branch	5.5	One-year certificates of deposit
China Merchants Bank Beijing Fangzhuang Branch	106.6	Bankers' acceptances
Agricultural Bank of China branch in Ejinaqi	58.2	Mortgaged land certificates
		Real estate license
		Credit guarantee
Hebei Logistics Group Metal Materials Co., Ltd.[1]	59.4	Fixed deposits
Yingkou Haotong Mines Ltd. & Eren both wing Mining Co.[1], Ltd.	74.2	Fixed deposits
Hebei DUNSHI Trading Company [1]	59.4	Fixed deposits
Total	**1,398.1**	

Source: Group information

1 Included in the above table are liabilities of approximately HK$193 million, comprising bills payable owing to three PRC based trading companies, which are secured against fixed deposits. For the purposes of the Liquidation Analysis these entities have been treated as lenders as they benefit from collateral security.

Section

Appendix B – Borrower and subsidiary guarantors of the Notes

Name of the Company	Registration	Nature
Borrower		
Winsway Enterprises Holdings Limited	BVI	Parent entity of the Group, listed on the Hong Kong Stock Exchange.
Guarantors		
Lucky Color Limited	BVI	Investment holding
Reach Goal Management Ltd	BVI	Investment holding
Winsway Resources (HK) Holdings Limited	Hong Kong	Investment holding
Winsway Australia Pty. Ltd	Australia	Internal marketing and consulting services
Winsway Resources Holdings Private Limited	Singapore	Trading of coal
Winsway Coking Coal Logistics Limited	Hong Kong	Investment holding
Winsway Mongolian Transportation Pte Ltd	Singapore	Investment holding
Cheer Top Enterprises Limited	BVI	Investment holding
Color Future International Limited	BVI	Trading of coal
Royce Petrochemicals Limited	BVI	Investment holding
Eternal International Logistics Limited	Hong Kong	Investment holding
Million Super Star Limited	Hong Kong	Investment holding
Lush Power Management Limited	BVI	Investment holding
King Resources Holdings Limited	BVI	Investment holding
Winsway International Development (HK) Limited	Hong Kong	Investment holding
Wisdom Elite Inc Limited	Hong Kong	Investment holding

Section

1. Introduction
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5. Source of returns to holders of the Notes

Appendices

A. Summary of PRC based lenders

B. Borrower and subsidiary guarantors of the Notes

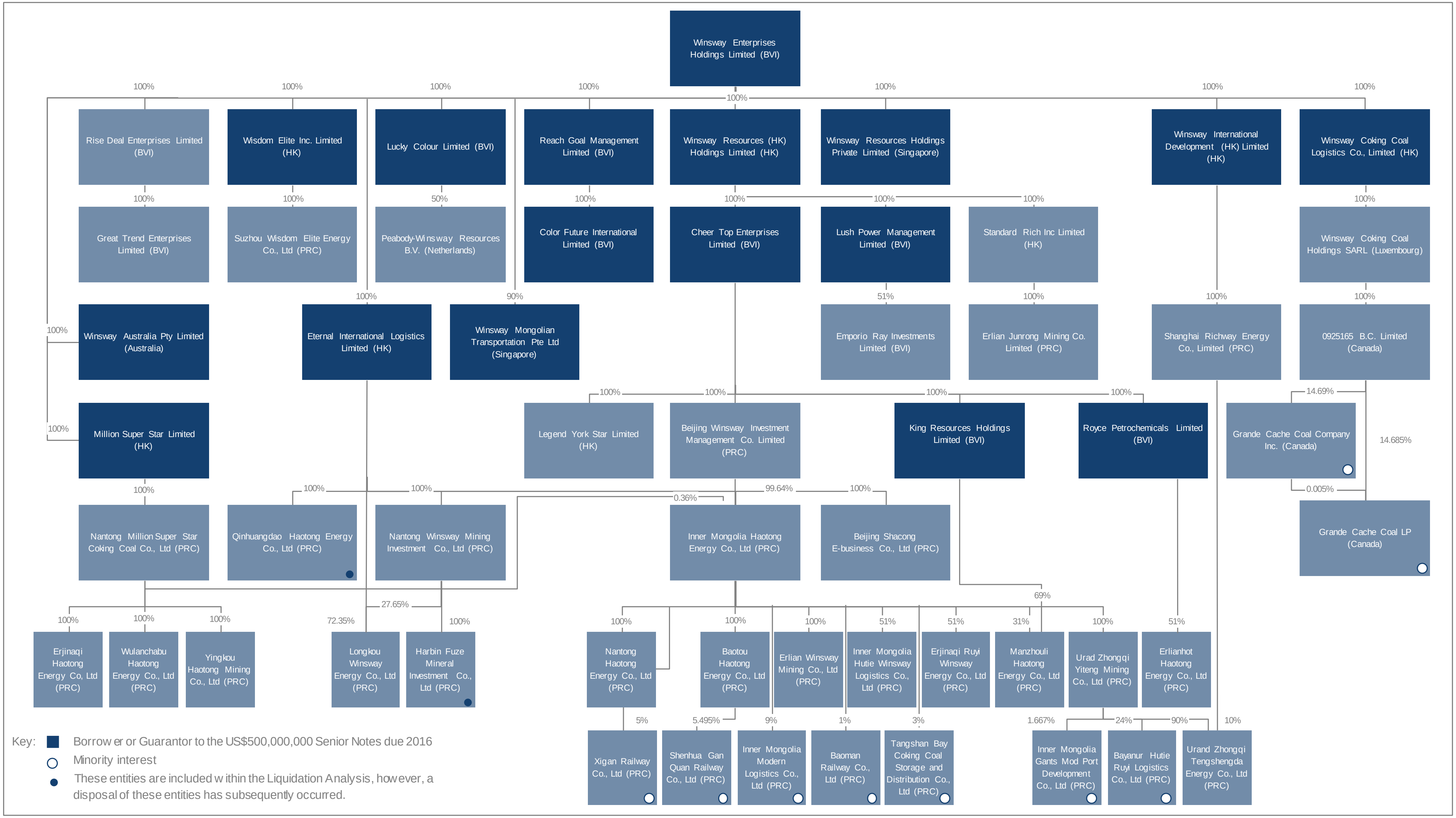
C. Group structure chart and schedule of Group entities

D. Schedule of key assumptions

E. Liquidation Analysis – borrower and subsidiary guarantors

F. Risk factors relating to the Liquidation Analysis

Appendix C – Group structure chart and schedule of Group entities



Appendix C – Group structure chart and schedule of Group entities (cont'd)

Name of Company	Jurisdiction of incorporation	Shareholder	% ownership
Rise Deal Enterprises Ltd	BVI	Winsway Enterprises Holdings Limited	100.00%
Wisdom Elite Inc. Limited	Hong Kong	Winsway Enterprises Holdings Limited	100.00%
Lucky Colour Limited	BVI	Winsway Enterprises Holdings Limited	100.00%
Reach Goal Management Ltd	BVI	Winsway Enterprises Holdings Limited	100.00%
Winsway Resources Holdings Limited	Hong Kong	Winsway Enterprises Holdings Limited	100.00%
Winsway Resources Holdings Private Limited	Singapore	Winsway Enterprises Holdings Limited	100.00%
Winsway Australia Pty Ltd	Brisbane	Winsway Enterprises Holdings Limited	100.00%
Eternal International Logistics Limited	Hong Kong	Winsway Enterprises Holdings Limited	100.00%
Million Super Star Limited	Hong Kong	Winsway Enterprises Holdings Limited	100.00%
Winsway Mongolian Transportation Pte Ltd	Singapore	Winsway Enterprises Holdings Limited	90.00%
Winsway International Development Limited	Hong Kong	Winsway Enterprises Holdings Limited	100.00%
Winsway Coking Coal Logistics Co. Limited	Hong Kong	Winsway Enterprises Holdings Limited	100.00%
Cheer Top Enterprises Limited	BVI	Winsway Resources (HK) Holdings Limited	100.00%
Lush Power Management Limited	BVI	Winsway Resources (HK) Holdings Limited	100.00%
Standard Rich Inc Limited	HK	Winsway Resources (HK) Holdings Limited	100.00%
Suzhou Wisdom Elite Energy Co. Ltd	PRC	Wisdom Elite Inc. Limited	100.00%
Peabody-Winsway Resources B.V.	Netherlands	Lucky Colour Limited	50.00%
Great Trend Enterprises Ltd	BVI	Rise Deal Enterprises Ltd	100.00%
Color Future International Limited	BVI	Reach Goal Management Ltd	100.00%
Emporio Ray Investments Limited	BVI	Lush Power Management Limited	51.00%
Erlian Junrong Mining Co. Ltd	PRC	Standard Rich Inc Limited	100.00%
Shanghai Richway Energy Co. Ltd	PRC	Winsway International Development (HK) Limited	100.00%
Winsway Coking Coal Holdings SARL	Luxembourg	Winsway Coking Coal Logistics Co. Limited	100.00%
0925165 B.C. Ltd	Canada	Winsway Coking Coal Holdings SARL	100.00%
Grande Cache Coal Company Inc.	Canada	0925165 B.C. Ltd	14.69%
Grande Cache Coal LP	Canada	Grande Cache Coal Company Inc.	0.005%
		0925165 B.C. Ltd	14.69%
Legend York Star Limited	Hong Kong	Cheer Top Enterprises Limited	100.00%
Beijing Winsway Investment Management Co. Ltd	PRC	Cheer Top Enterprises Limited	100.00%
King Resources Holdings Limited	BVI	Cheer Top Enterprises Limited	100.00%

Appendix C – Group structure chart and schedule of Group entities (cont'd)

Name of Company	Jurisdiction of incorporation	Shareholder	% ownership
Royce Petrochemicals Limited	BVI	Cheer Top Enterprises Limited	100.00%
Nantong Million Super Star Coking Coal Co. Ltd	PRC	Million Super Star Limited	100.00%
Qinhuangdao Haotong Energy Co. Ltd *(disposed post 30 November 2015)*	PRC	Beijing Winsway Investment Management Co. Ltd	100.00%
Nantong Winsway Mining Investment Co. Ltd	PRC	Beijing Winsway Investment Management Co. Ltd	100.00%
Erjinaqi Haotong Energy Co Ltd	PRC	Nantong Million Super Star Coking Coal Co. Ltd	100.00%
Wulanchabu Haotong Energy Co. Ltd	PRC	Nantong Million Super Star Coking Coal Co. Ltd	100.00%
Yingkou Haotong Mining Co. Ltd	PRC	Nantong Million Super Star Coking Coal Co. Ltd	100.00%
Harbin Fuze Mineral Investment Co. Ltd *(disposed post 30 November 2015)*	PRC	Nantong Winsway Mining Investment Co. Ltd	100.00%
Longkou Winsway Energy Co. Ltd	PRC	Eternal International Logistics Limited	72.35%
		Nantong Winsway Mining Investment Co. Ltd	27.65%
Beijing Shacong E-business Co. Ltd	PRC	Beijing Winsway Investment Management Co. Ltd	100.00%
Inner Mongolia Haotong Energy Co. Ltd	PRC	Beijing Winsway Investment Management Co. Ltd	99.64%
		Nantong Million Super Star Coking Coal Co. Ltd	0.36%
Nantong Haotong Energy Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	100.00%
Baotou Haotong Energy Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	100.00%
Erlian Winsway Mining Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	100.00%
Inner Mongolia Hutie Winsway Logistics Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	51.00%
Erjinaqi Ruyi Winsway Energy Co. Ltd	PRC	Inner Mongolin Haotong Energy Co. Ltd	51.00%
Manzhouli Haotong Energy Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	31.00%
		King Resources Holdings Limited	69.00%
Urad Zhongqi Yiteng Mining Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	100.00%
Erlian Haotong Energy Co. Ltd	PRC	Royce Petrochemicals Limited	51.00%
Xigan Railway Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	5.00%
Shenhua Ganquan Railway Co. Ltd	PRC	Baotou Haotong Energy Co. Ltd	5.50%
Inner Mongolia Modern Logistics Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	9.00%
Baoman Railway Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	1.00%
Tangshan Bay Coking Coal Storage and Distribution Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	3.00%
Inner Mongolia Gants Mod Port Development Co. Ltd	PRC	Urad Zhongqi Yiteng Mining Co. Ltd	1.67%
Bayanur Hutie Ruyi Logistics Co. Ltd	PRC	Urad Zhongqi Yiteng Mining Co. Ltd	24.00%
Urand Zhongqi Tengshengda Energy Co. Ltd	PRC	Urad Zhongqi Yiteng Mining Co. Ltd	90.00%
		Shanghai Richway Energy Co. Ltd	10.00%

Appendix C – Group structure chart and schedule of Group entities (cont'd)

Schedule of minority interests

Name of Company	Jurisdiction of incorporation	Group shareholder	% ownership
Grande Cache Coal Company Inc.	Canada	0925165 B.C. Ltd	14.69%
Grande Cache Coal LP	Canada	Grande Cache Coal Company Inc.	0.005%
		0925165 B.C. Ltd	14.69%
Xigan Railway Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	5.00%
Shenhua Ganquan Railway Co. Ltd	PRC	Baotou Haotong Energy Co. Ltd	5.50%
Inner Mongolia Modern Logistics Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	9.00%
Baoman Railway Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	1.00%
Tangshan Bay Coaking Coal Storage and Distribution Co. Ltd	PRC	Inner Mongolia Haotong Energy Co. Ltd	3.00%
Inner Mongolia Gants Mod Port Development Co. Ltd	PRC	Urad Zhongqi Yiteng Mining Co. Ltd	1.67%
Bayanur Hutie Ruyi Logistics Co. Ltd	PRC	Urad Zhongqi Yiteng Mining Co. Ltd	24.00%

Section

Appendices

Appendix D – Schedule of key assumptions

Asset class

Description	High Case scenario	Low Case scenario	Basis for assumption
Property, plant and equipment (PPE)			
Net book value less than HK$775,700	100%	100%	PPE balances per entity with a net book value of less than HK$775,700 (US$100,000) are considered immaterial in respect of the Liquidation Analysis and therefore assumed to be realised in full.
Net book value greater than HK$775,700			In January 2016 the Group engaged a PRC based asset appraisal and consultancy firm to complete an assessment of the Group's key operational sites and advise on the macroeconomic, geographic and sector conditions that would affect any potential sale of assets in a liquidation scenario. The sites assessed were: • **Erlianhaote border crossing**, Inner Mongolia (Erlianhot Haotong Energy Co. Ltd) – railway logistics park with a storage capacity of 2 million tons and loading capacity of 10 million tons per year, and comprises logistic centre, office buildings, customs checkpoint, automobile scale station and other various buildings. • **Ceke border crossing,** Inner Mongolia (Erjinaqi Haotong Energy Co. Ltd) – railway logistics park comprising multiple buildings including customs office buildings, shops, storage yards and warehouses for the storage, sale and processing of coal. • **Gants Mod border crossing**, Yiteng, Inner Mongolia (Urad Zhongqi Yiteng Mining Co. Ltd) – logistics park and coal washery with storage capacity of 1.5 million tons of coal and processing capacity of 6 million tons of coal per annum. The site consists of multiple buildings including customs offices, dormitories, shops, storage yards and warehouses for the transportation, storage, sale and processing of coal. • **Longkou port, Longkou** (Longkou Winsway Energy Co., Ltd) – comprising coal washery plant and processing centre with a capacity of 4 million tons of coal per year, together with warehousing and logistics facilities for the import of seaborne coal. • **Bayuquan port, Yingkou** (Yingkou Haotong Mining Co. Ltd) – comprising coal washery plant and processing centre with a capacity of 4 million tons of coal per year, together with warehousing and logistics facilities for the import of seaborne coal. • **Manzhouli border crossing** (Inner Mongolia Haotong Energy Co. Ltd and Inner Mongolia Hutie Winsway Logistics Co. Ltd) – coal washery and logistics park with a processing capacity of 4 million tons and loading capacity of 10 million tons, comprising multiple buildings including a railway station, storage yards and warehouses for transportation, storage, sale and processing of coal.
• Buildings	• 40%	• 20%	
• Machinery	• 20%	• 20%	
• Motor vehicles	• 40%	• 20%	
• Office and other	• 40%	• 20%	
• Leasehold	• 40%	• 20%	
• Scrap value	• 10%	• 10%	

Appendix D – Schedule of key assumptions (cont'd)

Asset class

Description	High Case	Low Case	Basis for assumption
Property, plant and equipment (PPE) (cont') Net book value greater than HK$775,700 (cont')			In agreeing with Management the low case and high case assumptions for PPE, and having reviewed the consultant's assessment, we took into consideration that: • The assessments identified that given the current economic climate both globally and within the PRC, the potential interest in these assets is likely to be limited. This is due to the PRC coal industry currently being in decline and as such there is a lack of both the appetite for acquisitions in this sector and the availability funds to finance such acquisitions. • All assets reviewed are specialist sites which house multiple buildings made specifically for use in the coal industry. Given both the liquidation situation and the costs required to convert any building for alternative use, any purchaser is likely to apply a material discount to any asset brought to market. • The assessment notes that the realisable value of the assets is likely to be very limited, with real estate being the primary source of value. However, it was also noted that not all buildings have the necessary certificates of ownership in place to allow for sales to be processed. • Moveable machinery is generally specialised for the Group's operations and therefore is likely to have limited resale value. As with other PPE, it is likely that any purchaser would need to modify the machinery for their own use, which is likely to impact on the achievable sale price. • In a liquidation scenario, assets would be sold by way of public auction, under the supervision of the PRC Courts. Auction processes are conducted based on minimum reserve prices being set, which are subsequently reduced at later auctions if the assets in question fail to receive bids or bids made do not meet the minimum reserve price set. • In preparing the Group's draft Interim Results as at 30 June 2015, Management has included impairments of HK$828 million on certain assets, reducing them to between 0-10% of their pre impairment value. The nature and quantum of the impairments have been discussed with the Group's auditors however they have not been subject to formal audit sign off.

Appendix D – Schedule of key assumptions (cont'd)

Asset class

Description	High Case	Low Case	Basis for assumption
Property, plant and equipment (PPE) (cont') Net book value greater than HK$775,700 (cont')			**Our approach** • Net book values have been used as a proxy for current market value in a going concern scenario (before discounts are applied to reflect the distressed nature of any sale) on the basis that PPE is unlikely to have appreciated in value. Realisation assumptions have then been applied to the net book value balances. • Where PPE assets have been fully impaired, we have assumed 10% of the pre-impaired value to be recoverable in order to reflect the potential scrap value of PPE. • The highly specialised nature of the assets, alongside the difficulty and high costs required by a purchaser to modify the assets for alternative use has resulted in the low realisable values attributed to these assets, as any sale price would be negotiated to account for the additional costs which would be incurred. • We have applied a lower realisable value to machinery than for other types of PPE. We expect machinery would have a higher discount applied, with values attainable being dependent on the remaining useful life. • It should also be noted that certain PPE has been pledged as collateral to the Lenders, who are assumed to have first claim on any realisable proceeds.
Construction in progress (CIP) Scrap value	• 40% • 10%	• 20% • 10%	This asset class represents buildings and plant in construction. We are advised that for the majority of the assets in this category construction is completed, but the assets are yet to be re-categorised as the assets remain idle and are yet to be put into operation as it is uneconomical to do so. We are advised that certain assets in this category have been completed over 12 months ago, including: • Storage facilities at the Manzhouli border crossing (Capex spend of over HK$42 million) – idle for over 2 years; and • Storage facilities at the Gants Mod border crossing (Capex spend of HK$78 million) – idle for over 1 year Given the nature of the assets, realisation assumptions are similar to those of PPE. This also recognises that assets in this category would be otherwise reclassified as PPE on completion or once operational. The impairment losses described within the PPE section are also applicable to the CIP assets as these were included within the impairment tests performed by Management for the draft 30 June 2015 Interim Results. It should also be noted that certain CIP has been pledged as collateral to the Lenders, who are assumed to have first claim on any realisable proceeds.

Appendix D – Schedule of key assumptions (cont'd)

Asset class

Description	High Case	Low Case	Basis for assumption
Land Use Rights	50%	30%	Almost all of the Group's Land Use Rights are zoned for industrial use purposes, which would result in a higher discount applied to value than other types of property in a distressed sale. In the absence of current valuations for the Group's Land Use Rights, net book value as per the balance sheet has been used as a proxy for market value. There are two exceptions to this approach where Management has advised that net book value does not represent an appropriate proxy for the market value of Land Use Rights, relating to Urad Zhongqi Yiteng Mining Co., Ltd (**Urad Zhonggi**) and Manzhouli Haotong Energy Co., Ltd (**Manzhouli**). • In respect of Urad Zhonggi, Management has advised that the potential market value is higher than the stated book value and have assisted us in calculating a revaluation of the Land Use Rights, to which the liquidation scenario assumptions are applied. The revised calculation takes into consideration allowable deductions and taxes payable due to the estimated realisable value being higher than the current book value. • In respect of Manzhouli, Management has advised that the Group obtained certain grants from the Bureau of Finance and the Tax Bureau of approximately RMB 136.7 million (approximately US$22.3 million) which remain outstanding as part of a commitment to the local government to develop the land. The commitments given by the Group are yet to be fulfilled, and it is assumed that any purchaser in a liquidation scenario would be required to undertake the existing development commitments, which are close to the current book value of the land of RMB 150.4 million (approximately US$24.6 million). Accordingly, for the purposes of the Liquidation Analysis we have assumed no value is realised from Manzhouli's Land Use Rights. It should also be noted that certain Land Use Rights held by Group entities have been pledged as collateral to the Lenders, who are assumed to have first claim on any realisable proceeds.
Intangible assets	0%	0%	We are advised that intangible asset balances represent trademark use-rights not owned by the Group and software costs capitalised on the balance sheet and therefore have no realisable value.
Investments in subsidiaries	0%	0%	It is assumed that all entities are placed into an insolvency process in their jurisdiction of incorporation and therefore the book value of investments in subsidiaries have no value unless there are sufficient asset realisations in the relevant entity to enable all creditor claims to be discharged.

Appendix D – Schedule of key assumptions (cont'd)

Asset class

Description	High Case	Low Case	Basis for assumption
Investments with controlling interest	Steps: 1. Asset realisation assumptions applied to different asset classes 2. Asset realisations, net of estimated realisation costs are first applied to discharge third party creditor claims 3. Residual net funds applied in partial discharge of outstanding intercompany liabilities	Steps: 1. Asset realisation assumptions applied to different asset classes 2. Asset realisations, net of estimated realisation costs are first applied to discharge third party creditor claims 3. Residual net funds applied in partial discharge of outstanding intercompany liabilities	The Group has three investments where it holds a 51% controlling interest and which represent the Group's investment in railways logistics parks which connect into the local railways and loading stations. Historically, the Group has met all the funding requirements for these entities and there are significant intercompany balances owed, which are not repayable until the entities are profitable. We understand that whilst there are no automatic buy out arrangements in place, the existing shareholders would need to approve any purchaser. Given the current excess capacity across the PRC rail network, Management does not consider the investments to have a material realisable value. For the purposes of the Liquidation Analysis, we have therefore assumed: • the only likely buyer would be other existing shareholders; • investment value has been determined by applying similar asset value assumptions to the net book values of assets in these entities as we have applied to other entities, net of estimated realisation costs (Step 1), less the value of third party liabilities outstanding (Step 2); and • the estimated net surplus after payment of third party liabilities is then applied in partial repayment of intercompany balances outstanding (Step 3) – i.e. representing partial repayment of funding provided to the relevant entity.

Appendix D – Schedule of key assumptions (cont'd)

Asset class

Description	High Case	Low Case	Basis for assumption
Other investments in equity securities	25%	0%	The Group has various minority interests in railway related businesses, which are operated and funded by the relevant railway bureaus and certain port storage facilities. The Group also has a 50% interest in a mining venture, Peabody-Winsway Resources B.V.. The minority interests held by the Group are detailed in Appendix C. Management has advised that the Group has attempted to find buyers for these minority interests without success over the past 12 to 24 months. For the purposes of the Liquidation Analysis, we have assumed that a significant discount would be applied by any purchaser in acquiring the minority interests held by the Group, reflective of: • the significant benefits from holding controlling interests in a jurisdiction such as the PRC; • the illiquid nature of the Group's investment (being minority investments in private companies); and • the likelihood that any purchaser is likely to apply a material distress discount due to the insolvency of the seller. The impairments proposed by the Group include reducing the investments in Shenhua Gan Quan Railway Co and Xigan Railway Co to zero value. For the purposes of the Liquidation Analysis, the proposed impairment have not been modelled, as the impairments are yet to be agreed with the Company's auditors. In the low case scenario, we assume that the illiquid nature of the minority investments make realising any material value unlikely. The Group's investment in Peabody-Winsway Resources B.V. (50%) and Inner Mongolia Gants Mod Port Development Co. Ltd (1.67%) are assumed to have no realisable value in either scenario due to significant contingent liabilities likely to dissuade interested parties and eliminate any net asset value based on the latest available balance sheets for these entities.
Other non-current assets	20%	0%	These balances relate to receivables due from a Mongolian logistics supplier, Moveday. On 18 December 2015, the Group entered into an extension agreement with Moveday after it advised that it could not repay the outstanding principal by the due date of 31 December 2015. The repayment date was subsequently moved to 31 December 2019 and an impairment of HKD$120.2 million was made against the outstanding Moveday receivable balance. For the purposes of the Liquidation Analysis, we have assumed any attempts to secure recovery from Moveday would be difficult, time consuming and costly, and only likely to be partially successful. As Moveday has recently confirmed it is unable to repay the receivable, we have made an assumption that any recovery will be as a result of the liquidation and sale of Moveday's assets.

Appendix D – Schedule of key assumptions (cont'd)

Asset class

Description	High Case	Low Case	Basis for assumption
Deferred tax assets	0%	0%	Management has advised that existing tax losses can only be utilised in future tax periods and cannot be refunded, transferred or assigned. Accordingly existing tax losses are assumed to have no realisable value.
Inventories	**Coal** High quality – 70% Low grade – 50% **Spare parts** – 20%	**Coal** High quality – 75% Low grade – 35% **Spare parts** – 20%	Inventories comprise a mixture of high quality and low grade coal and are valued on a mark-to-market basis in each entity's balance sheet. It is assumed that coal is realised at a discount to spot prices, and that buyers acquiring coal inventories will incur their own transportation costs, impacting the price achievable. Certain entities in the Group hold inventory of spare parts for the washing plants and associated machinery. Due to the highly specialised nature of these spare parts, Management considers that there is a very limited realisable value attributed to these assets. We have therefore applied the same realisation assumptions as used for PPE machinery (see above).
Restricted bank deposits	100%	100%	Restricted deposits are held by the Lenders as collateral for finance facilities provided to the Group. In a liquidation scenario, it is assumed the Lenders set-off restricted deposits against outstanding facilities and any residual balances held are returned to the relevant Group entity.
Cash and cash equivalents			
Book value less than US$100,000	100%	100%	Cash and cash equivalents with a net book value of less than HK$775,700 (US$100,000) are considered immaterial in respect of the Liquidation Analysis and therefore assumed to be realised in full.
Book value greater than US$100,000	81%	81%	The Group is assumed to continue to utilise its cash resources during the course of the restructuring in order to meet ongoing restructuring and operating costs and any liquidation will only occur in the event that the proposed restructuring is unsuccessful. Accordingly, we have reduced the cash and cash equivalent balances as at 30 November 2015 to adjust for estimated cash consumption prior to any liquidation commencing.
Trade receivables	• Current – 80% • 3-12 months overdue – 50% • Over 12 months overdue – 0%	• Current – 70% • 3-12 months overdue – 40% • Over 12 months overdue – 0%	Management has advised that historically the Group has had limited issues with the recoverability of trade receivables, however over the past few years the steel industry has faced significant challenges which has impacted on certain customers' ability to manage their own working capital. The realisation assumptions applied reflect that in a liquidation scenario, recoverability of receivables will be more difficult (especially those that are overdue) as the Group will no longer be in a position to continue to provide coal to customers, and the likelihood that contractual disputes will arise.

Appendix D – Schedule of key assumptions (cont'd)

Asset class

Description	High Case	Low Case	Basis for assumption
Bills receivables	90%	90%	The Group utilises certain bills receivable (issued by counterparties with quality credit ratings, such as state owed enterprises or financial institutions) as collateral for facilities provided by the Lenders. Any surplus bills receivable after repayment of outstanding lending is assumed to be returned to the relevant Group entity. A discount has been applied in the expectation that the appointed liquidator will seek to realise value for the bills receivable ahead of maturity (which are generally between 90 and 365 days).
Prepayments	Coal – 70% Other collectible receivables -10% Other non-collectible receivables – 0% Petrol prepayment – 70%	Coal – 50% Other collectible receivables -10% Other non-collectible receivables – 0% Petrol prepayment – 50%	Prepayments comprise payments made for future coal and petrol purchases and payments made in advance of services being provided to the Group. Management has provided an assessment on the collectability of prepayments from which we have based the realisation assumptions used. It is assumed that coal and petrol contracts can be sold at a discount and therefore a higher assumption is applied for these prepayments than for other collectible receivables. Other prepayments are assumed to have limited realisable value due to the likelihood of contractual claims arising.
Other receivables	Collectible – 50% Non collectible – 0%	0%	Other receivables comprise various categories of non-trade receivables. As with Prepayments, Management has assessed the collectability of these assets in a liquidation scenario. Having reviewed these assessments and discussed them with Management, we have identified and ranked each type of other receivable into two categories, collectible or non-collectible and applied appropriate realisation assumptions to each category.

Appendix D – Schedule of key assumptions (cont'd)

Asset class

Description	High Case	Low Case	Basis for assumption
Intercompany balances	N/A	N/A	For the purposes of the Liquidation Analysis, we have created an intercompany matrix which has required us to adjust certain intercompany balances from the source balance sheets for both sides of the ledger (i.e. receivable and creditor balances) to reconcile. Total intercompany claims across all group entities are HK$21.3 billion. During our analysis of the intercompany balances we identified a number of material differences between the receivables and payables balances of opposing entities. We subsequently worked with Management in order to identify the correct balance sheet position of these entities and reflected these amendments both in the balances sheets and the Liquidation Analysis. As the intercompany balances are integrated within the Liquidation Analysis, intercompany receipts represent the onward transmission of asset realisations within the Group in partial repayment of intercompany creditor balances. Under the PRC Enterprise Bankruptcy Law, creditors of same category will be treated in the same way, whether creditors are within or outside the PRC. However, for the purposes of the Liquidation Analysis, it is assumed that intercompany creditors located outside of the PRC will face difficulties in establishing and enforcing their rights, resulting in structural subordination to PRC based creditors.
GCC entities	0%	0%	In September 2015, the Group completed the sale of the majority of its interest in GCC to Up Energy Corporation Ltd (**UP Energy**) reducing its existing investment to 14.69%. Management has advised that in their view the residual 14.69% investment has no tangible value. Up Energy's ultimate parent, Up Energy Development Group Ltd confirmed on 19 January 2016 in an announcement to the Hong Kong Stock Exchange that GCC's mining operations had been shut to minimize working capital requirements and further capital expenditure commitment. For the purposes of the Liquidation Analysis we assume the residual GCC investment has no realisable value.

Appendix D – Schedule of key assumptions (cont'd)

Liquidation costs

Description	High Case	Low Case	Basis for assumption
Liquidation costs	**Secured assets** – 10% of estimated realisations, capped at a maximum of HK$19,394,250 (US$2.5 million) per entity **PRC entities** – 15% of estimated realisations, capped at a maximum of HK$19,934,250 (US$2.5 million) per entity **Non PRC entities** – 10% of estimated realisations, capped at US$2.5 million per entity **Intercompany receivables** – 1.0% of estimated realisations **ListCo** –capped at HK$3,878,850 (US$500,000) **Restricted deposits** – HK$775,770 (US$100,000)		Liquidation costs are likely to include insolvency practitioner costs, legal advisors, sales agents and court costs. For the purposes of the Liquidation Analysis, liquidation costs are assumed as a percentage of asset realisations achieved in each entity, subject to certain parameters and caps as outlined below: • Assets that have been provided as collateral to secure facilities provided by the Lenders will be realised by those lenders and realisation costs deducted before any residual realisations are returned to individual entities. • Liquidation costs for PRC incorporated entities are expected to be higher as a percentage of realisations than for insolvency processes outside of the PRC. • Reconciliation and agreement of the HK$21.3 billion of outstanding intercompany balances between different estates is likely to be a time consuming and costly exercise and therefore a small percentage has been applied against estimated intercompany receivables as an estimate of the costs associated in agreeing intercompany claims. • ListCo's realisable assets primarily comprise cash and cash equivalents and whilst it is assumed there are a certain level of costs required in addressing the delisting of ListCo and other issues given its status as ultimate parent entity of the Group, costs are expected to be lower than those entities where significant asset recoveries are estimated. • Provision is made for any termination costs that are charged by lenders when restricted deposits held are applied in repayment of outstanding finance facilities. • It is assumed that the wind-down of entities in the Group is completed without any material litigation arising, and accordingly no provision has been made in respect of the potential costs of defending or pursuing litigation.

Section

Appendix E – Liquidation Analysis – borrower and subsidiary guarantors

The table on the right summarises the Borrower of the Notes and the 16 guarantors. It also provides details on the primary activity undertaken by each entity and the country of incorporation.

The returns to holders of the Notes in both high case and low case scenarios are derived from the following companies:

- Color Future International Limited;
- Winsway Resources Holdings Private Limited;
- Winsway Resources (HK) Holdings Limited; and
- Cheer Top Enterprises Limited.

Further information on the key drivers of the estimated returns from these entities can be found in Section 5 of this report.

Holders of the Notes are estimated to receive no return from the hypothetical liquidations of the Borrower and the remaining 12 guarantors. The financial position of the Borrower is discussed in more detail in Section 5 of this report. This appendix illustrates the estimated outcome in both high case and low case scenarios for the remaining 12 guarantors.

As you can see on the following page, there are limited realisations across the remaining 12 entities, primarily because the nature of these entities are investment holding companies and as such their assets comprise equity investments that have no realisable value where it is assumed that the underlying subsidiary has filed for liquidation.

To the extent that assets in these entities are able to be realised, we anticipate that the costs of realising these assets (i.e. both the costs of realising the assets and undertaking the statutory activities required in the liquidation process) are likely to consume the majority, if not all of estimated realisations. This results in no assets being available for distribution to unsecured creditors, including holders of the Notes.

Summary of Borrower and Guarantors

Company name	Registration	Nature of activities
Borrower		
Winsway Enterprises Holdings Limited	BVI	Ultimate parent company and listing vehicle
Guarantors		
Lucky Color Limited	BVI	Investment holding
Reach Goal Management Limited	BVI	Investment holding
Winsway Resources (HK) Holdings Ltd	HK	Investment holding
Winsway Australia Pty. Ltd	Australia	Internal marketing and consulting services
Winsway Resources Holdings Private Limited	Singapore	Trading of coal
Winsway Coking Coal Logistics Limited	HK	Investment holding
Winsway Mongolian Transportation Pte Ltd	Singapore	Investment holding
Cheer Top Enterprises Limited	BVI	Investment holding
Color Future International Limited	BVI	Trading of coal
Royce Petrochemicals Limited	BVI	Investment holding
Eternal International Logistics Limited	HK	Investment holding
Million Super Star Limited	HK	Investment holding
Lush Power Management Limited	BVI	Investment holding
King Resources Holdings Limited	BVI	Investment holding
Winsway International Development (HK) Limited	HK	Investment holding
Wisdom Elite Inc Limited	HK	Investment holding

Source: AlixPartners analysis

Appendix E – Liquidation Analysis – borrower and subsidiary guarantors

High Case

HK$ M	Winsway Australia Pty Ltd		Lucky Color Limited		Reach Goal Management Limited		Winsway Coking Coal Logistics Co		Royce Petrochemicals Limited		King Resources Holdings Limited		Winsway Mongolian Transportation Pte		Eternal International Logistics Limited		Million Super Star Limited		Winsway International Development (HK)		Wisdom Elite Inc Limited		Lush Power Management Limited	
Asset Realisations	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV
Cash and cash equivalents	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intercompany receivables	1.2	0.0	0.0	0.0	0.0	0.0	2,341.2	0.0	41.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment, net	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in subsidiary	0.0	0.0	0.0	0.0	168.7	0.0	0.2	0.0	102.0	0.0	166.6	0.0	0.0	0.0	155.0	0.0	470.5	0.0	7.8	0.0	0.0	0.0	0.0	0.0
Total asset realisations	**2.1**	**0.9**	**0.0**	**0.0**	**168.7**	**0.0**	**2,341.4**	**0.0**	**143.4**	**0.1**	**166.8**	**0.2**	**0.2**	**0.2**	**155.2**	**0.2**	**470.5**	**0.0**	**7.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Costs of realisation		(0.6)		0.0		0.0		(0.0)		(0.1)		(0.2)		(0.2)		(0.2)		(0.0)		(0.0)		(0.0)		0.0
Net assets available for distribution		**0.4**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**
Distributions																								
Priority creditors	0.8	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unsecured creditors																								
- Unsecured onshore lender claims	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
- General unsecured creditors	0.3	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	(0.0)	0.0	0.0	0.0
- Intercompany payables	0.0	0.0	396.3	0.0	0.1	0.0	2,340.6	0.0	107.7	0.0	167.0	0.0	0.9	0.0	153.7	0.0	468.5	0.0	7.8	0.0	0.1	0.0	0.0	0.0
- Noteholders	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0
Total distributions	**2,621.7**	**0.4**	**3,016.9**	**0.0**	**2,620.6**	**0.0**	**4,961.3**	**0.0**	**2,728.3**	**0.0**	**2,787.5**	**0.0**	**2,621.5**	**0.0**	**2,774.3**	**0.0**	**3,089.1**	**0.0**	**2,628.4**	**0.0**	**2,620.6**	**0.0**	**2,620.6**	**0.0**

Low Case

HK$ M	Winsway Australia Pty Ltd		Lucky Color Limited		Reach Goal Management Limited		Winsway Coking Coal Logistics Co		Royce Petrochemicals		King Resources Holdings Limited		Winsway Mongolian Transportation Pte		Eternal International Logistics Limited		Million Super Star Limited		Winsway International Development (HK)		Wisdom Elite Inc Limited		Lush Power Management Limited	
Asset Realisations	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV	NBV	ERV
Cash and cash equivalents	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intercompany receivables	1.2	0.0	0.0	0.0	0.0	0.0	2,341.2	0.0	41.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment, net	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in subsidiary	0.0	0.0	0.0	0.0	168.7	0.0	0.2	0.0	102.0	0.0	166.6	0.0	0.0	0.0	155.0	0.0	470.5	0.0	7.8	0.0	0.0	0.0	0.0	0.0
Total asset realisations	**2.1**	**0.9**	**0.0**	**0.0**	**168.7**	**0.0**	**2,341.4**	**0.0**	**143.4**	**0.1**	**166.8**	**0.2**	**0.2**	**0.2**	**155.2**	**0.2**	**470.5**	**0.0**	**7.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Costs of realisation		(0.6)		0.0		0.0		(0.0)		(0.1)		(0.2)		(0.2)		(0.2)		(0.0)		(0.0)		(0.0)		0.0
Net assets available for distribution		**0.4**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**
Distributions																								
Priority creditors	0.8	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unsecured creditors																								
- Unsecured onshore lender claim	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
- General unsecured creditors	0.3	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Intercompany payables	0.0	0.0	396.3	0.0	0.1	0.0	2,340.6	0.0	107.7	0.0	167.0	0.0	0.9	0.0	153.7	0.0	468.5	0.0	7.8	0.0	0.1	0.0	0.0	0.0
- Noteholders	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0	2,620.6	0.0
Total distributions	**2,621.7**	**0.4**	**3,016.9**	**0.0**	**2,620.6**	**0.0**	**4,961.3**	**0.0**	**2,728.3**	**0.0**	**2,787.5**	**0.0**	**2,621.5**	**0.0**	**2,774.3**	**0.0**	**3,089.1**	**0.0**	**2,628.4**	**0.0**	**2,620.6**	**0.0**	**2,620.6**	**0.0**

Source: AlixPartners analysis

Section

Appendices

Appendix F

Risk factors relating to the Liquidation Analysis

As highlighted on page 19 (Key limitations), it should be noted that by its nature, the Liquidation Analysis is illustrative of the potential outcomes following an entity by entity liquidation of the Group and therefore should be considered directional in nature only. To the extent that the assumptions used in preparing the Liquidation Analysis do not hold true, or require further refinement, this may have an impact on the conclusions reached and the possible outcome to holders of the Notes.

We set out below and on the following page certain risk factors relating to the Group which have not been modelled within the Liquidation Analysis. Should any of these risk factors arise in an actual liquidation of the Group, the possible outcome to holders of the Notes may differ from the estimated outcomes derived from the Liquidation Analysis.

Please note that this list is not intended to be an exhaustive statement of all factors which could impact on the potential outcome to creditors as modelled in the Liquidation Analysis.

Risk	Overview of risk	Potential impact on estimated returns to holders of the Notes
Currency risk and capital controls	The Liquidation Analysis models estimated asset realisations and distributions to creditors in a common currency, HK$ (the Group's reporting currency) and does not reflect the potential impact of foreign exchange fluctuations. In addition, the State Administration of Foreign Exchange is the main authority in charge of foreign exchange in the PRC and maintains strict control over all types of foreign exchange transactions that take place, with the PRC's official currency (RMB), not freely convertible in the international currency markets.	Foreign exchange gains or losses may be incurred on the realisation of assets across different jurisdictions and on the distribution of funds to individual creditors. The repatriation of funds from the PRC to creditors located outside of the PRC (including intercompany creditors) may be subject to restriction (over and above that assumed in the Liquidation Analysis).
Tax risk	In preparing the Liquidation Analysis we have not obtained advice on the risk of tax liabilities arising from the realisation of assets in a liquidation scenario. Tax risk in relation to asset realisations and/or distributions to creditors in a liquidation scenario will be dependent upon the tax attributes of each individual entity, the extent of realisations achieved and the eventual quantum of distributions made to each class of creditor.	Tax liabilities may crystallise on realisation of assets of individual entities, depending on the quantum and nature of any transaction, as well as the tax attributes available to shelter any taxable gains. The extent and classification of tax liabilities may adversely impact on returns to creditors.
Timing of asset realisations and distributions to creditors	In the Liquidation Analysis, estimated asset realisations are assumed to flow around the Group (via intercompany balances) and to third party creditors simultaneously. In reality, the realisation of assets and distributions to creditors in individual estates would take place over an extended period of time (months if not years depending on the issues to be addressed in winding down each individual entity), rather than simultaneously.	There is inherent risk as to the timing of when assets are realised and those realisations achieved are distributed to creditors, including holders of the Notes. The Liquidation Analysis does not apply any discount to adjust for for the time value of money.

Appendix F

Risk factors relating to the Liquidation Analysis (cont'd)

Risk	Overview of risk	Potential impact on estimated returns to holders of the Notes
Litigation risk	The Liquidation Analysis assumes there is no material litigation arising from (or during the course of) the wind-down of entities in the Group.	Any material litigation arising from (or during the course of) the liquidation of individual entities could impact on the timing and quantum of asset realisations achieved and / or the total value of creditor claims. Litigation is also likely to lead to an increased level of professional costs associated with the winding up of the relevant entity. These factors could impact on the timing and quantum of estimated distributions to holders of the Notes.
Legal advice in local jurisdictions	In completing the Liquidation Analysis, we have obtained specific (though limited) legal advice in relation to certain PRC points of law, however we did not seek legal advice across the other jurisdictions in which the Group operates. Our work has been based on our understanding of the legal framework in each jurisdiction, our experience as insolvency practitioners and our general discussions with the Company's corporate and restructuring legal advisors. In a liquidation scenario, it is usual for the appointed insolvency practitioner to engage legal advisors to provide specific advice on different aspects of the liquidation process.	Specific issues may arise that on obtaining legal advice may result in a different treatment in an actual liquidation to the approach adopted in the Liquidation Analysis. Any difference of treatment may impact on the eventual outcome to creditors.

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