

2014

Interim Results Announcement 中期業績發布會

WINSWAY[®]

WINSWAY ENTERPRISES HOLDINGS LIMITED

永暉實業控股股份有限公司

Contents

1. Financial Overview

- *1.1. Income Statement Highlights*
- *1.2. Financial Position Highlights*
- *1.3 Liquidity Highlights*

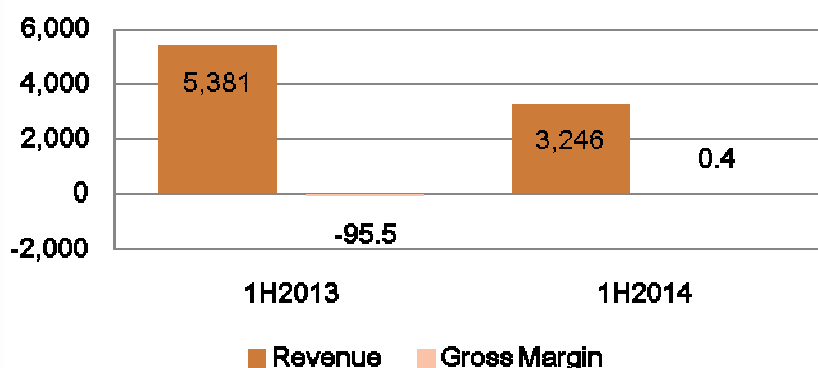
2. Company Strategy

- *2.1. GCC Divestment*
- *2.2. Supply Chain Business*

Financial Overview

Financial Highlights

Revenue & Gross Margin



(HK\$'000,000)	1H2013	1H2014
Revenue	5,381	3,246
-minus COS	-5,476	-3,246
Gross Margin	-95.5	0.4
Gross Margin %	-1.77%	0.00%

➤ In the first half of 2014, revenue of the Company decreased to HKD3,246 million by 39.68%, compared to the same period last year. The decrease was mainly due to the drop in both coal sales volume (5.05 mt in 1H2013 vs. 3.81 mt in 1H2014) and average selling price (HKD1,017 in 1H2013 vs. HKD842 in 1H2014), as well as GCC deconsolidation from the financials.

➤ In the first half of 2014, the Company recorded a gross profit of 0.4 million, compared to a gross loss of 95.5 million in the same period of last year. The positive GP margin is a result of more efficient risk management sticking to back sales strategy as well as the rendering of logistics and storage services.

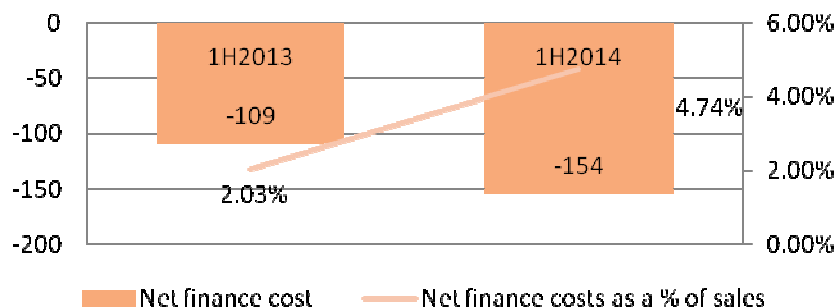
➤ As of the first half of 2014, the Company recorded with gross loss of HK\$ 17million in coking coal sales, compared to gross loss of HK\$159million in the same period last year. Although the coal market got worse in the first half of 2014, the Company managed strictly in sales margin and realized better performance than that of last year. Meanwhile, in the new business development, the Company recorded a gross profit of HK\$12 million by providing railway logistics and storage services in the first half of 2014, compared to that of HK\$ 0.9 million gross loss in the same period last year. The gross profit was thin, but it shows a good trend.

COGS

(HK\$'000,000)	1H2013			1H2014		
	Revenue	COGS	Gross profit/loss	Revenue	COGS	Gross profit/loss
Coking coal	4,742	4,901	-158.9	3,187	3,205	-17.4
Railway logistics & storage service	24	25	-0.9	33	21	12.0
Others	615	550	64.3	26	20	5.8
Total	5,381	5,476	-95.5	3,246	3,246	0.4

Financial Highlights

Finance Income/Costs



(HK\$'000,000)	1H2013	1H2014
Finance income	227	53
Finance costs	-335	-207
Net finance cost	-109	-154
Net finance costs as a % of sales	2.03%	4.74%

➤ As of the first half of 2014, net finance costs was recorded as HKD154 million with 41.28% increase, compared to that in the same period last year. The increase was caused by less exchange gain due to less appreciation of RMB against USD.

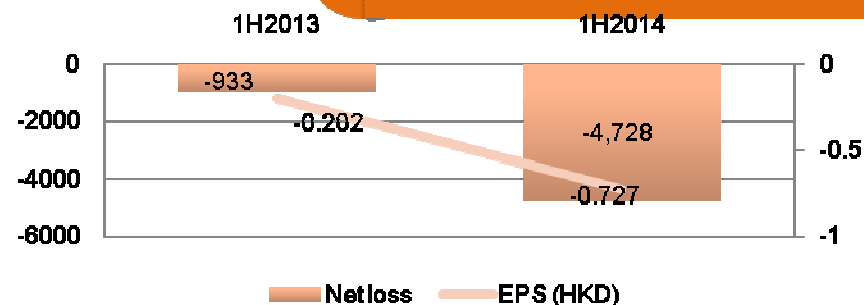
(HK\$'000,000)	1H2013	1H2014
EBT from continuing operations	-415	-414
less tax	-58	-7
Net loss/profit from continuing operations	-473	-421
Net loss/profit from discontinued operation	-460	-4,307
Net loss	-933	-4,728
EPS (HKD)	-0.202	-0.727

➤ EBT from continuing operations were in the same level as compared between 1H2013 vs. 1H2014. Net loss in 1H2014 were decreased by 407% yoy to negative HKD4,728 million, out of which, HKD 4,307 million was recorded for loss from GCC, a discontinued operation.

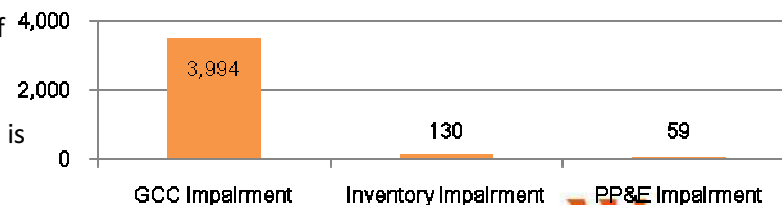
➤ GCC non-cash impairment loss was recorded at HKD3,994 million in the first half of 2014. The impairment has been fully provided based on fair market value minus cost to sell.

➤ Inventory written down was recorded at HKD 130 million in the first half of 2014. It is quite unlikely to record further inventory impairment because most players in the market believe the current coal market has already touched the bottom.

Net Loss & EPS

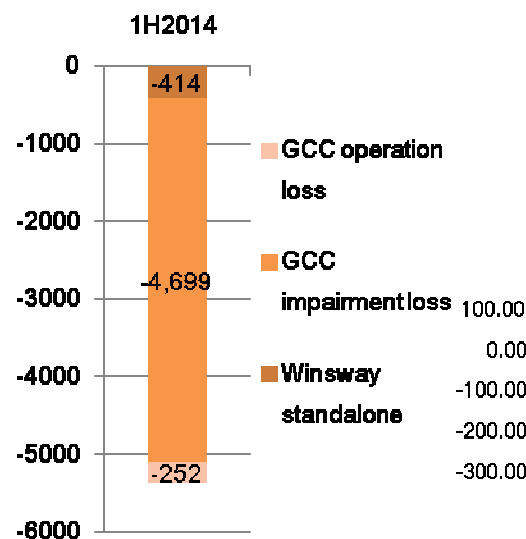


Non-cash impairment loss (unit: mln HKD)



Financial Highlights

EBT Breakdown



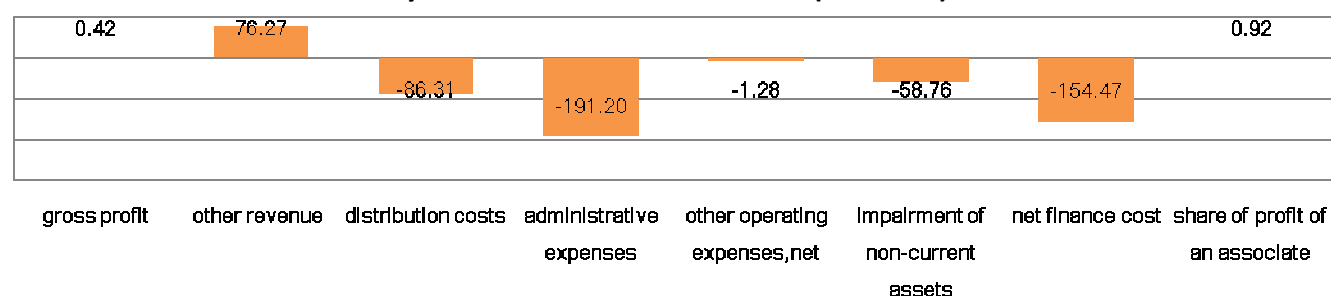
EBT Breakdown of the Company

1H2014 (unit: mln HKD)

Winsway standalone	-414
GCC impairment loss	-4,699
GCC operation loss	-252
Total	-5,365

- In the first half of 2014, the Company recorded a total EBT of negative HKD5,365 million.
- GCC impairment loss accounted for 87.59% of the total loss before tax.
- Winsway standalone performance was about the same in the same period last year, negative HKD414 million of EBT was recorded in 1H2014 as compared to negative HKD415 million in 1H2013.
- Out of HKD414 million of loss before tax, HKD189 million was one-off impairment loss from inventory and PP&E, which is expected to be a non-recurring item.

Winsway Standalone EBT Break-down (mln HKD)



in HKD millions	1H2013	1H2014
Labour costs	83.10	81.84
Professional fees	11.81	17.36
Depreciation	14.24	12.25
Tax	17.40	12.13
Stoppage loss	31.59	42.44
Others	33.63	24.04
Total administrative expenses	191.77	190.06

Administrative Expenses

(HK\$ '000,000)	1H2013	1H2014
Other revenue	39	76
Distribution costs	-57	-86
Administrative expenses	-192	-191
Other operating expenses, net	0	-1
Total OPEX (excl. other revenue)	-249	-278
- as a percentage of sales	4.63%	8.56%

- As the Company has cut headcounts in the 1H 2014, it would be expected that there will be further decrease in labour cost going forward.
- Stoppage loss represents mainly depreciation and other expenses associated with our washing plants of low utilization rate. The company has recorded significant impairment on fixed asset and thus it would be expected that stoppage loss going forward would be minimal.

- In the first half of 2014, total OPEX was about HK 278 million, which was 11.65% higher than that in the same period last year. The increase in distribution costs was because more semisoft coal were delivered to the customers' mill and storage instead of picking up by customers during the first half of 2014.

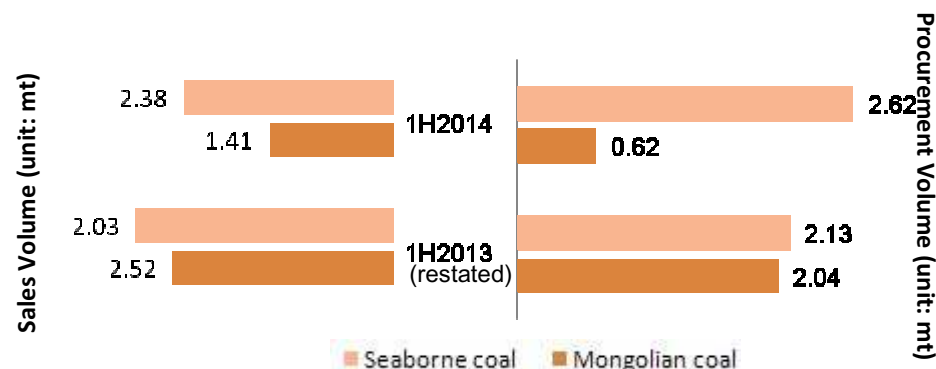
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Financial Highlights

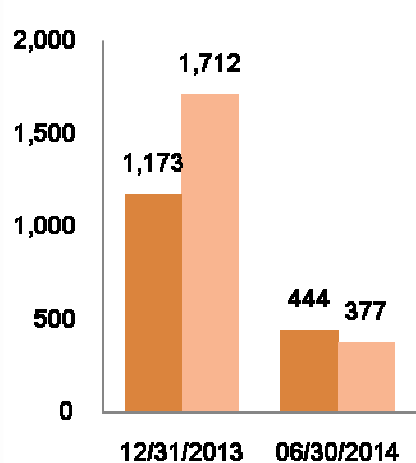
Procurement & Sales

Total Volume for (mt)	1H2013	1H2014
Clean coal procurement	4.17	3.24
Clean coal sales	4.55	3.79

- In the first half of 2014, clean coal procurement and sales volume decreased to 3.24 mt and 3.79 mt, respectively.
- The decrease was mainly because the demand for Mongolian coal was weaker compared to the same period of last year. Taking the transportation cost from mine mouth to end customer into consideration, Mongolian coal does not have competitive advantage over seaborne coal from price perspective under current market.

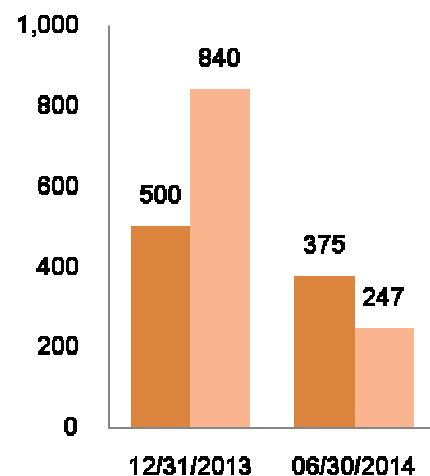


➤ Volume ('000 tonnes)



■ Seaborne Coal ■ Mongolian Coal

➤ Amount after impairment (HKD mln)



■ Seaborne Coal ■ Mongolian Coal

Inventory

	Volume ('000 tonnes)		Amount after impairment (HKD mln)	
	2013/12/31	2014/06/30	2013/12/31	2014/06/30
Seaborne Coal	1,173	444	500	375
Mongolian Coal	1,712	377	840	247
Total	2,885	821	1,340	622

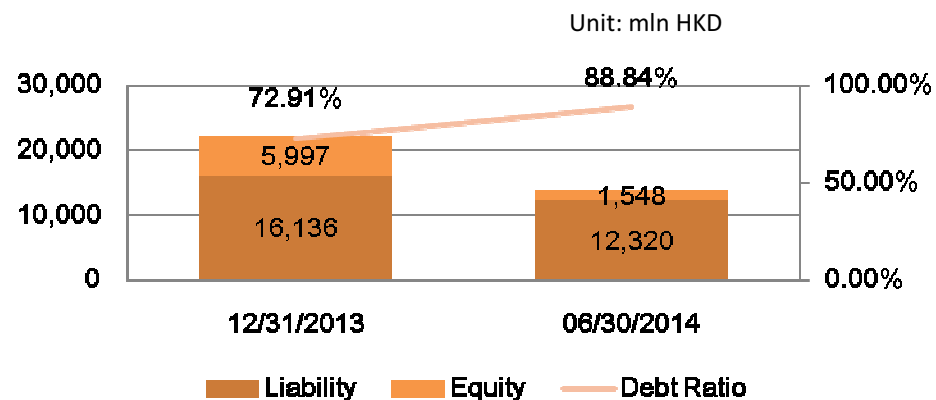
- In 1H2014, the Company held 0.8 million tonnes of clean coal inventory or equivalent HK\$ 622 million worth of clean coal (excl. thermal coal and other coal related products).
- Thanks to the destocking policy adopted by the Company from 2012, the inventory volume decreased significantly and thus the Company is exposing to less risk especially in the weak market. The deconsolidation of GCC also contributed to the decrease of inventory.

Financial Highlights

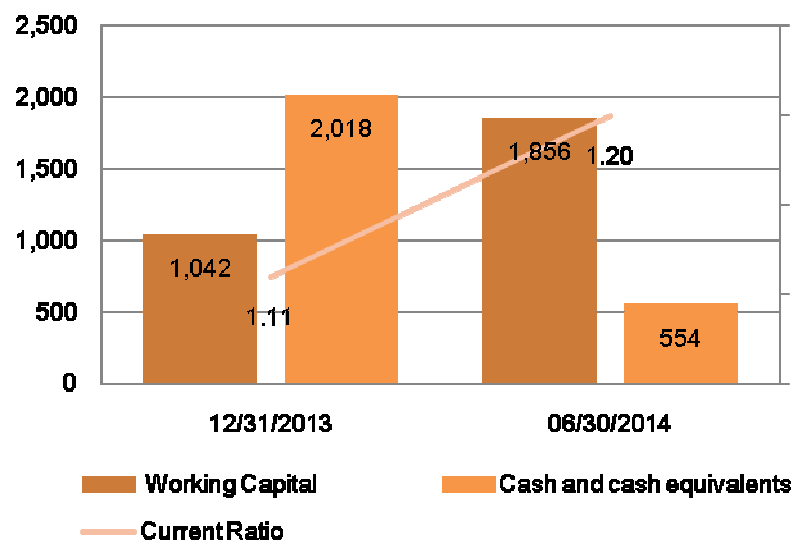
Asset/Liability/Equity

(HK\$'000,000)	2013/12/31	2014/06/30
Asset	22,133	13,868
Liability	16,136	12,320
Equity	5,997	1,548
Debt Ratio	72.91%	88.84%

- The Company's debt ratio was 88.84% for 1H2014, compared to 72.91% in the same period last year.



Cash Position and Liquidity



(HK\$'000,000)	2013/12/31	2014/06/30
Current Asset	10,147	11,175
Current Liability	9,105	9,319
-Working Capital	1,042	1,856
Cash and cash equivalents	2,018	554
Current Ratio	1.11	1.20

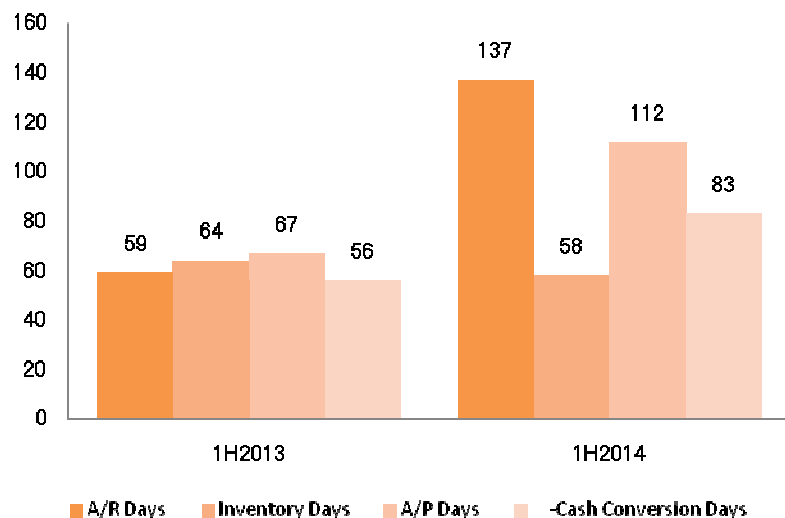
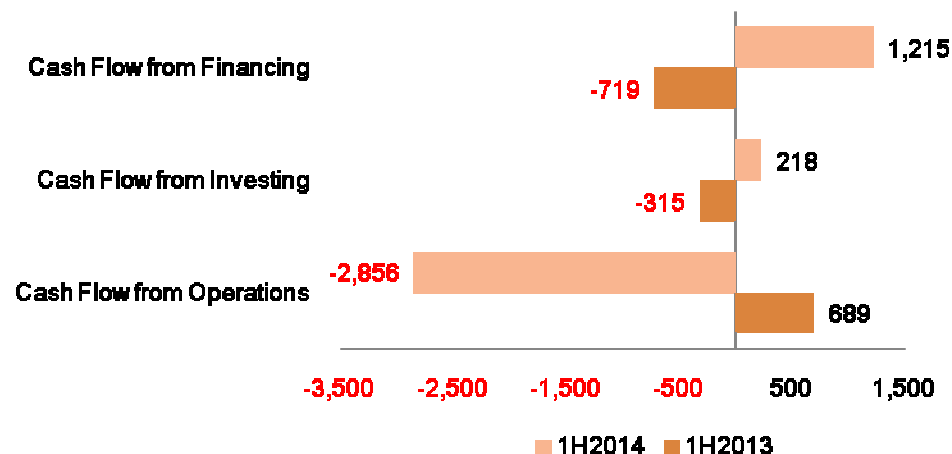
- 1.1 ➤ The Company's current ratio at the end of 1H 2014 was 1.20, compared to 1.11 at the end of 2013. The Company's short-term debt solvency increased after GCC deconsolidation.
- 1.05 ➤ Cash and cash equivalents at the end of 1H2014 was HK\$554 million, compared to HK\$2,018 million at the end of 2013. The sharp decrease of cash balance in 1H2014 was caused by the due payment of large amount of coals procurement in Nov. and Dec. of 2013, in contrast with low sales volume and low procurement volume in total in the first half of 2014.

Financial Highlights

Cash Flow Situation

(HK\$'000,000)	1H2013	1H2014
Cash Flow from Operations	689	-2,856
Cash Flow from Investing	-315	218
Cash Flow from Financing	-719	1,215

➤ As of the first half of 2014, the Company recorded a negative operating cash flow of HKD2,856million. The main reason was that the company repaid most of the accounts payable incurred in the second half of last year, and as the procurement in the first half of this year is a lot less, the newly incurred accounts payable is also minimal.



Working Capital Days

(HK\$'000,000)	1H2013	1H2014
Accounts Receivable	4,616	1,766
Inventory	1,363	721
Accounts Payable	7,816	2,850
A/R Days	59	137
Inventory Days	64	58
A/P Days	67	112
-Cash Conversion Days	56	83

➤ The cash conversion days in 1H 2014 was greater than the same period last year, and the major reason was because the Company scaled back coal purchase significantly in the first half of 2014, and repayment of accounts payables caused cash outflow of HKD 4,966.

Operation at GCC

1H2014 Operation Achievements

- As of the first half of 2014, GCC realized average clean coal FOB cash costs of HKD 730 per tonne, which was a huge improvement with 26.31% decrease compared to HKD 1,064 per tonne as of the same period last year.
- As of the first half of 2014, total 1.25 mt raw coal was produced, out of which, 0.76 mt were from surface Mine No.8 , and 0.49 mt were from underground Mine No. 12B2.
- Averaged washing yield was maintained at about 75% during the first half of 2014.
- In the first half of 2014, GCC continued its strategy in reducing the mining costs through various measures:
 - ✓ Reduced the equipment fleet and staff for surface mine and other areas. Further reduced the total employee and contractor staff by 41, from 572 employees by the end of 2013 to 452 employees as of 1H2104, i.e. 8.31% decrease;
 - ✓ Continue to refine and optimize the surface mining plans and designs to increase operation reliability;

Company Strategy

GCC Divestment

- On June 27 2014, the Board of the Company resolved to commit to a plan to reduce its stake in GCC to a level at which it would cease to hold a majority or controlling interest and to effect such reduction within one year of the resolution. GCC represented approximately 43% of the Company's total assets as of 31 December, 2013. The Board's decision has been made in light of current market conditions for the sale of coking coal and is consistent with the Company's development strategy.
- The Company has engaged BNP Paribas as its financial advisor to facilitate the GCC divestment exercise. The bidding process has begun and the Company is in negotiation with several potential buyers for either a partial or full divestment. The Company has also engaged an independent valuation firm to perform an evaluation on GCC to determine its fair value. Hence, the financial results of GCC was deconsolidated from the Company's financial statements.

Supply Chain Business

Company Vision and Mission

- Vision: to be the most reliable integrated commodity supply chain service provider;
- Mission: protect the banks, connect the customers, focus on details, care for the procedures.

Company Concept

- Services for banks mainly to facilitate warehouse financing in the PR China, mitigating or avoiding risks inherent in the PRC legal system: cargo financed by Banks for their Clients to be stored under Winsway's name only, regardless whether domestic or international cargo;

Services

- logistics/warehousing, services for banks, trading, financial services, match-making, and on-line market information services;

Income Generation

- Our target: 3% against cargo value under management for stand-by take-off commitment to the financing bank, charge paid by the client (borrower);
- Additional income from warehouse fees, handling charges, forwarding agency fees: increasing business/cargo volumes should allow us to better utilize our existing logistics assets;

Risks

- **Three Layer organization to help mitigate the risks**
- Logistic Department
- Risk Management Department
- Internal Audit Department