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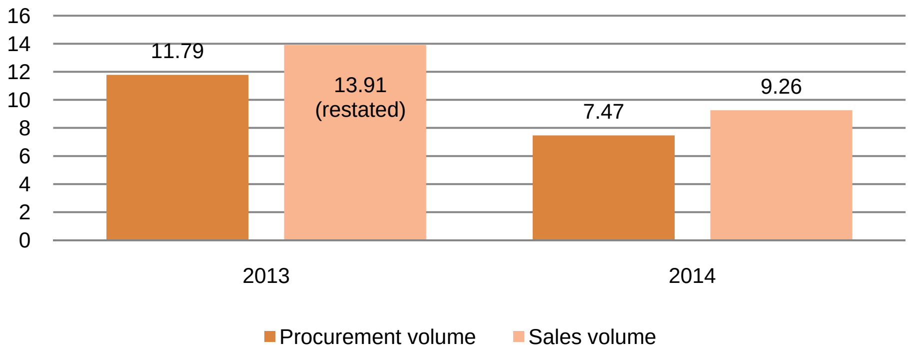
WINSWAY ENTERPRISES HOLDINGS LIMITED

永暉實業控股股份有限公司

2014 Annual Results

Financial Highlights
– Continuing Operations

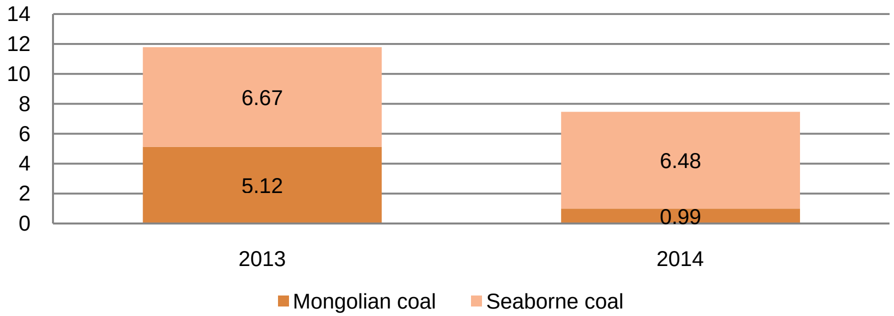
Procurement and Sales Volume (HK$ million)



Total Volume (mmt)	2013	2014
Procurement volume	11.79	7.47
Sales volume	13.91	9.26

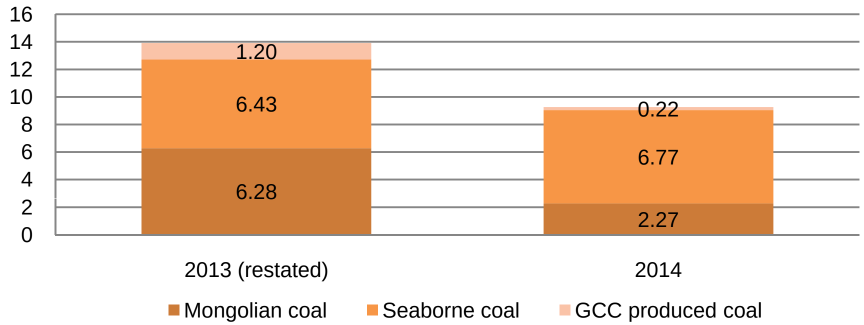
- The global coal oversupply trend continued and coal prices continued to slump. Therefore, compared with 2013, both sales volume and procurement volume decreased by 33.43% and 36.64%, respectively.

Coal Procurement Volume (million tonnes)



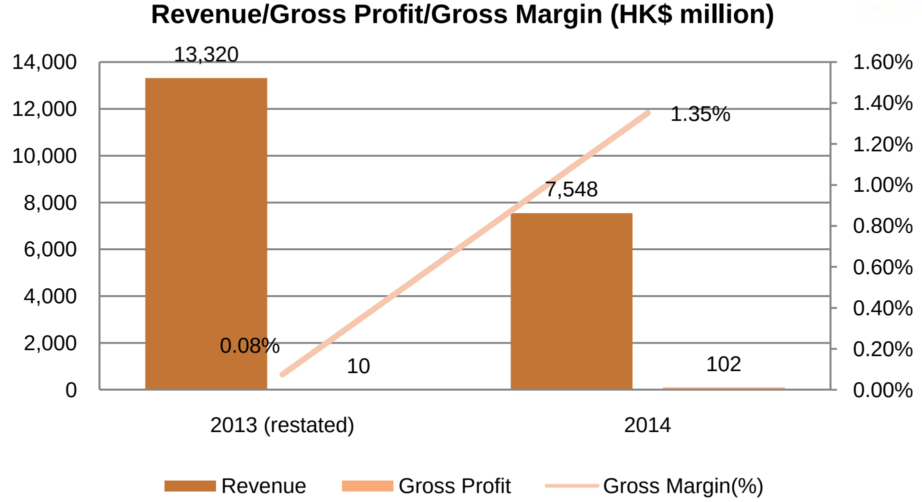
- As a strategy to further decrease the inventory level to preserve working capital, the Company only procured approximately 0.99 million tonnes of Mongolian coal in 2014, representing an 80.66% sharp decrease as compared to that in 2013.

Coal Sales Volume (million tonnes)



- Mongolian coal sales volume decreased 63.85% from 6.28 million tonnes in 2013 (restated) to 2.27 million tonnes in 2014;
- Mongolian coal trading business used to be one of the Company's main revenue sources but nearly lost its advantages in China's market in 2014 as a result of the squeeze of dropping selling price of coal and more expensive transportation cost compared with seaborne coal;
- Facing the decreasing market demand of Mongolian coal, the Company made a huge effort in maintaining seaborne coal market share.

Financial Highlights – Continuing Operations

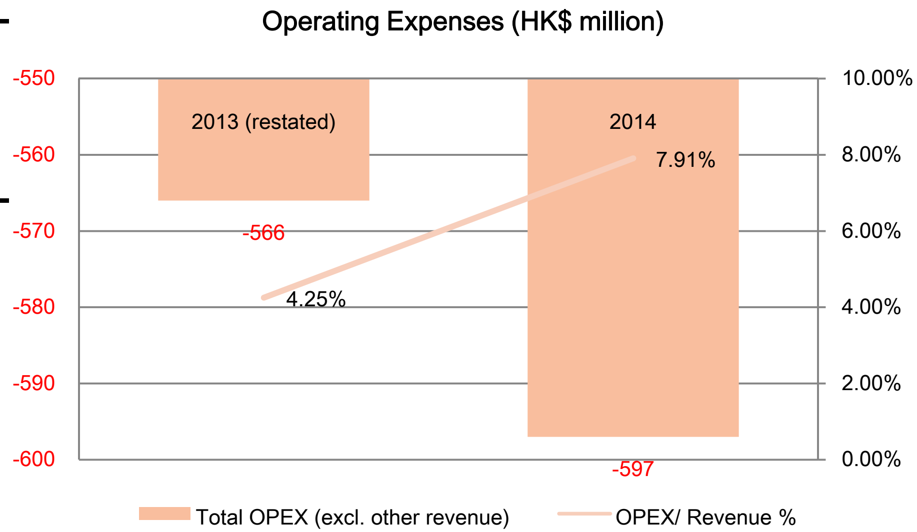


HK$'million	2013 (restated)	2014
Revenue	13,320	7,548
Gross Profit	10	102
Gross Margin(%)	0.08%	1.35%

- The revenue recorded in 2014 was HK$7,548 million, presenting a 43.33% decrease as compared to that of the previous year 2013, which is mainly due to the lack of demand and falling coal prices in China
- The gross profit was HK$102 million in 2014 with gross margin of 1.35% compared to 0.08% in 2013.
- The management endeavoured for a positive gross margin in the tough market. However, the gross profit still could not cover the finance expenses and administrative expenses during the period.

HK$'million	2013 (restated)	2014
Distribution costs	(214)	(160)
Administrative expenses	(361)	(435)
Other operating expenses, net	9	(22)
Total OPEX (excl. other revenue)	(566)	(617)
as a percentage of revenue	4.25%	7.91%

- Despite huge efforts by the Company, its total operating expenses as a percentage of revenue still recorded as 7.91% in 2014, compared to 4.25% in 2013.
- Administrative expenses increased to HK$435 million in 2014, representing a 20.50% increase compared to HK$361 million in 2013 (restated). The increase was mainly due to bad debt provisions of HK$57 million and HK$11 million for account receivables and other receivables, respectively.



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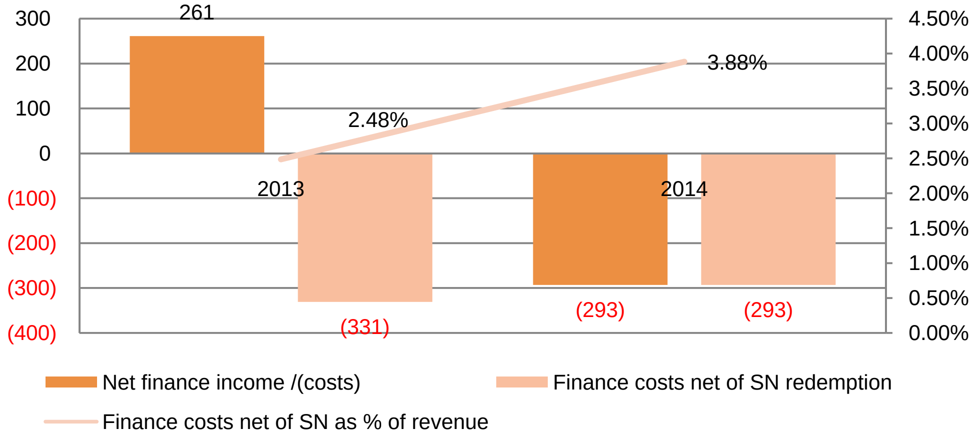
Finance Income /Costs

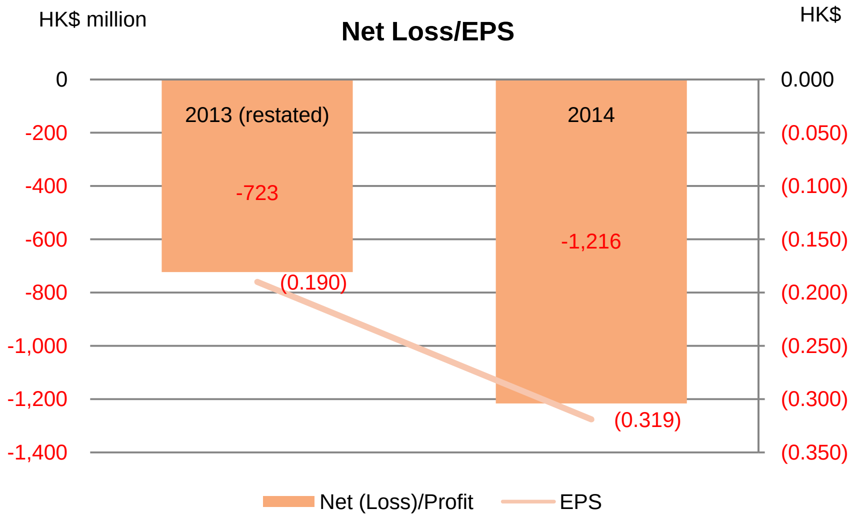


HK$ million	2013	2014
Finance Income	877	109
Finance Costs	(616)	(402)
Net finance income / (costs)	261	(293)
Minus: gain on redemption of Senior Notes (“SN”)	(592)	0
Finance costs net of SN redemption	(331)	(293)
Finance costs net of SN as % of revenue	2.48%	3.88%

- The finance costs net of SN redemption as a percentage of revenue increased to 3.88% in 2014 from 2.48% in 2013.
- Interest expenses on SN was HK$ 230 million in 2014, which was a huge burden on the Company.

HK$ million	2013 (restated)	2014
EBT	(410)	(1,133)
less tax	(313)	(83)
(Net Loss)/Profit	(723)	(1,216)
EPS (HK$)	-0.190	-0.319

- Net loss from continuing operations incurred was HK$1,216 million in 2014 as compared to HK$723 million in 2013 (restated);
- Falling coal prices and slack coal demands in China, one-off asset impairment as well as higher SG&A and financing costs contributed to the big losses from continuing operations in 2014;
- Loss from discontinued operation increased from HK$1,603 million in 2013 to HK$4,681 million in 2014 with impairment of HK$5,150 million.



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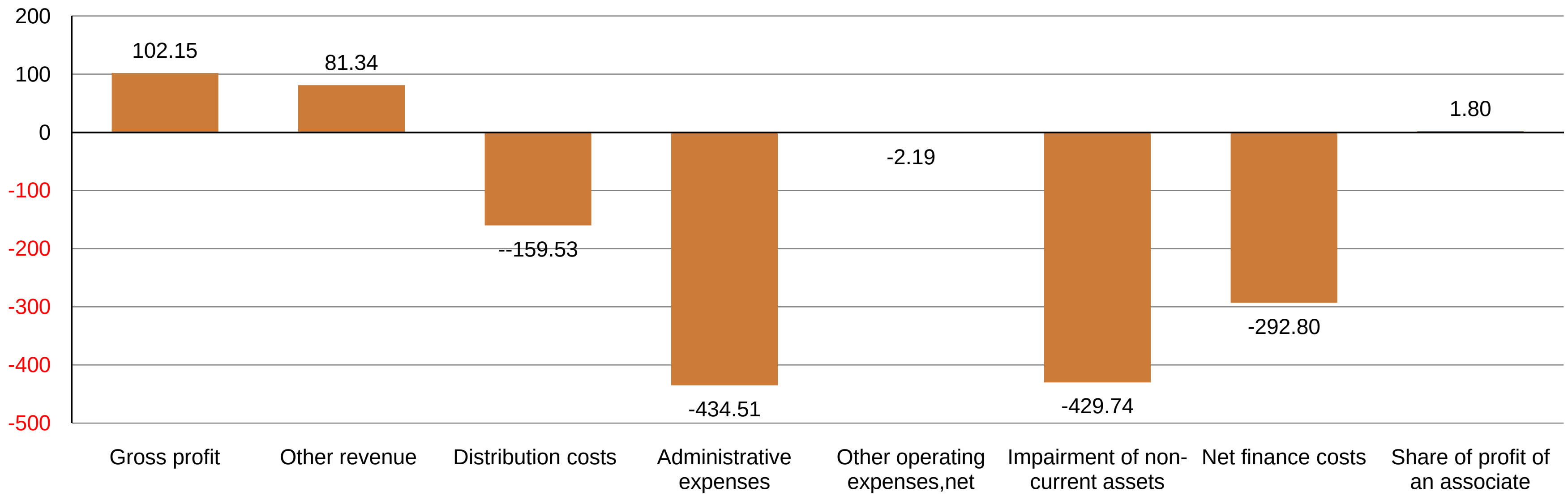
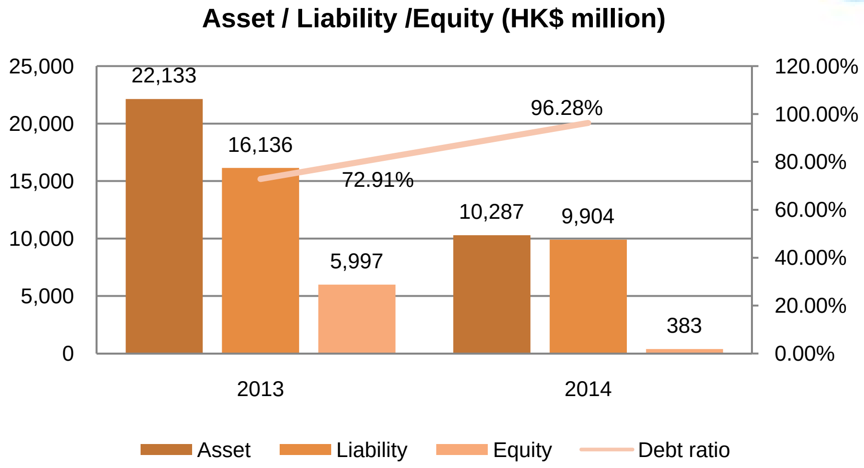
EBT Breakdown (HK$ million)



- The Company recorded an EBT of approximately negative HK$1,133 million in 2014;
- Increased administrative expenses and impairment of non-current assets have contributed to a lower EBT in 2014;
- In 2014, bad debt provisions of HK$57 million and HK$11 million for account receivables and other receivables, respectively, were recorded in administrative expenses;
- Breakdown of approximately HK$430 million of impairment loss of non-current assets is as below:
  a. An impairment loss of HK$233 million for plant and machinery in respect of the Group's coal processing factories in the PRC has been charged to the consolidated statement of profit or loss for the current year due to the unfavourable future prospect of the coking coal business and low utilization of these facilities;
  b. An impairment loss of HK$190 million for construction in progress of the coal processing facilities in Manzhouli, Yiteng, Ejinaqi Haotong, Yingkou and Wulanchabu has been charged;
  c. An impairment loss of HK$7 million for advance payment for equipment purchase and construction in progress in relation to the coal processing plants and logistics park facilities has been charged.

Financial Highlights
– Continuing Operations

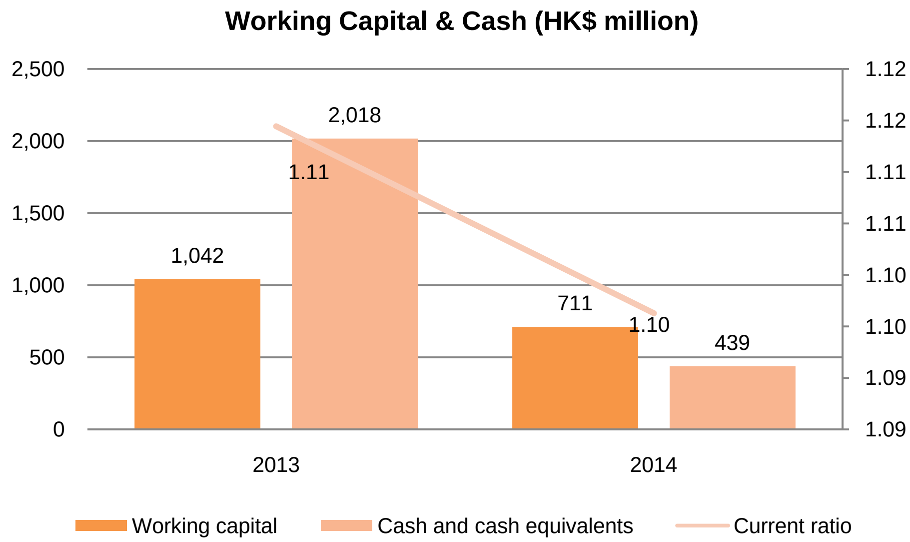


HK$' million	2013	2014
Asset	22,133	10,287
Liability	16,136	9,904
Equity	5,997	383
Debt ratio (Liability/Asset)	72.90%	96.28%

- The asset of the Company decreased by 53.52% to HK$10,287 million in 2014, mainly due to impairment loss of assets in relation to discontinued operations of HK$5,150 million;
- The debt ratio in 2014 increased to 96.28%, showing the high indebtedness of the Company.

HK$ 'million	2013	2014
Current asset	10,147	8,095
Current liability	9,105	7,384
Net current asset	1,042	711
Cash and cash equivalents	2,018	439
Current ratio	1.11	1.10

- Cash and cash equivalents decreased by 78.25% to HK$439 million in 2014 from HK$2,018 million in 2013;
- Due to continuous losses in operating activities and heavy burden in finance costs, the cash and cash equivalents of the company decreased in 2014.



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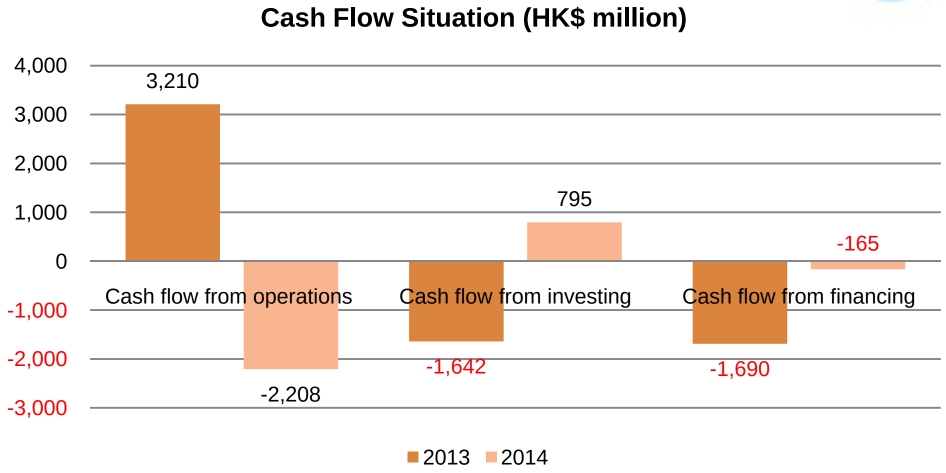
Financial Highlights
– Continuing Operations

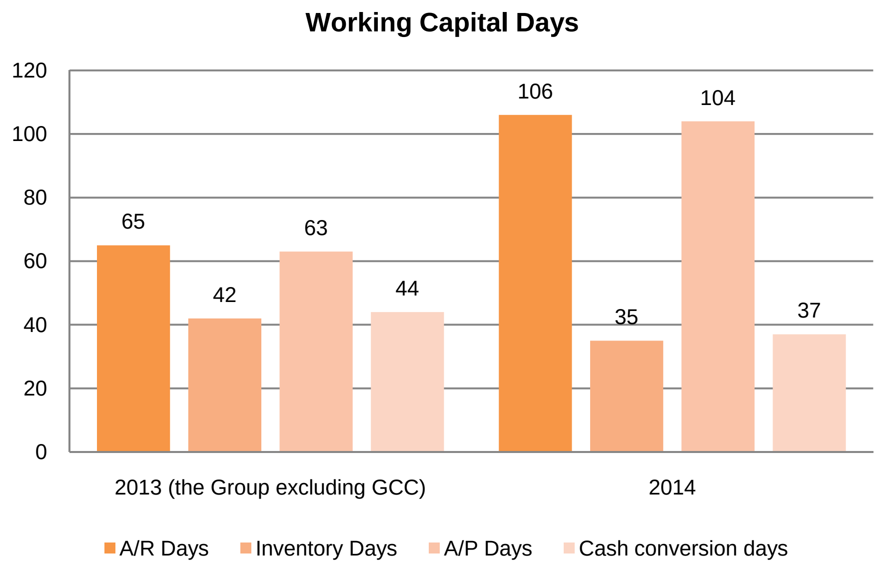


HK$ million	2013	2014
Beginning balance of cash and cash equivalents	2,111	2,018
Cash flow from operations	3,210	(2,208)
Cash flow from investing activities	(1,642)	795
Cash flow from financing activities	(1,690)	(165)
Effect of foreign exchange rate changes	29	(1)
Ending balance of cash and cash equivalents	2,018	439

- Net decrease in cash and cash equivalents from activities of operations, investing and financing was HK$1,578 million in 2014, which was a sharp decrease by 12 times compared to HK$122 million in 2013;
- The Company recorded a negative operating cash flow of HK$2,209 million in 2014, which was mainly due to the payment of HK$5,356 million for trade and other payables.

HK$ million	2013 (the Group excluding GCC)	2014
Trade and bills receivables	3,125	1,326
Inventory	1,131	335
Trade payable	2,931	1,385
A/R Days	65	106
Inventory Days	42	35
A/P Days	63	104
Cash conversion days	44	37

- Overall cash conversion cycle has shorten by 7 days, all contributing to shorter inventory holding days.



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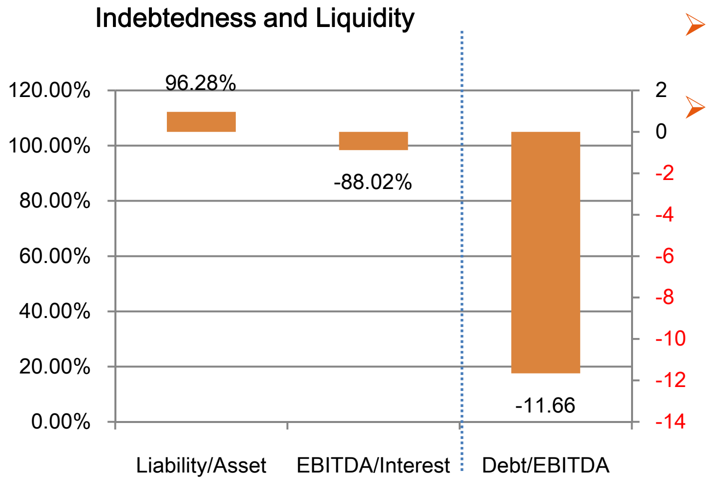
– Continuing Operations



Equity and working capital –the Group excluding GCC

HK$ million	As of 31 Dec 2014
Total assets	9,854
Total liability	5,806
Equity	**4,048**
Total current assets	8,095
Total current liability	7,384
Working capital	**711**
Net current assets (continuing operations)	505
Net current assets (discontinued operations)	206
Total net current assets	**711**

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- The Company has high debt ratios and carries on with high burden on debts and finance expenses in 2014.
- **KPMG Audit Opinion:**

Based on the analysis of the Group's indebtedness and liquidity as of the end of 2014, it is indicated that there are material uncertainties about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Whether the Group will be able to continue as a going concern would depend upon, including but not limited to, the Group's ability to generate adequate financing and operating cash flows through:

1) successful completion of the Debt Restructuring in respect of the Senior Notes;

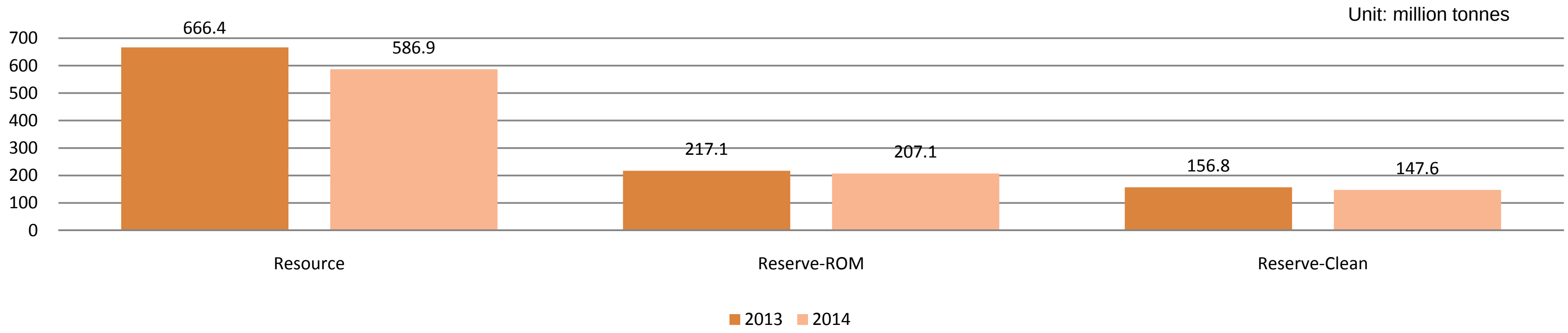
2) successful completion of the Equity Financing to enable the Group to meet its financial obligations and to finance its future working capital and financial requirements as required;

3) successful completion of negotiations with the lenders for the renewal of all the existing borrowings upon their maturity and/or obtaining additional financing as and when required; and

4) successful implementation of the Group's operation plans to control costs and to generate adequate cash flows from operations.

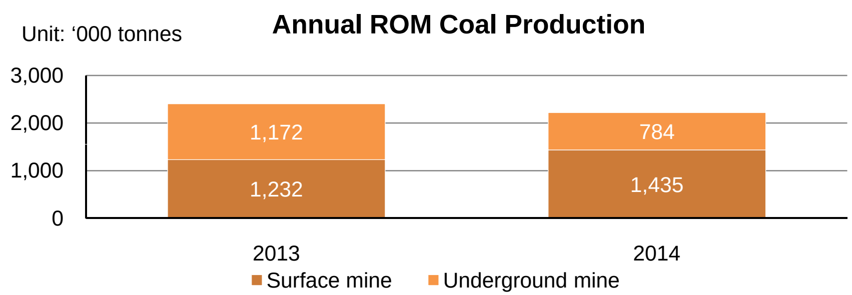
Appendix
-Discontinued Operations

Resource/Reserve Comparison between 2013 and 2014 Update (million tonnes)									
	Resource			Reserve-ROM			Reserve-Clean		
	2013	2014	Diff	2013	2014	Diff	2013	2014	Diff
Surface Areas	425.6	370.7	-54.9	128.3	125.1	-3.2	92.4	90.0	-2.4
Undergound Areas	240.8	216.2	-24.6	88.8	82.0	-6.8	64.4	57.6	-6.8
Total	666.4	586.9	-79.5	217.1	207.1	-10	156.8	147.6	-9.2



unit: '000 tonnes	2013	2014
Surface mine	1,232	1,435
Underground mine	1,172	784
Total	2,404	2,219

- GCC annual ROM coal production volume decreased by 7.70% to 2.22 million tonnes in 2014, compared to that in 2013.



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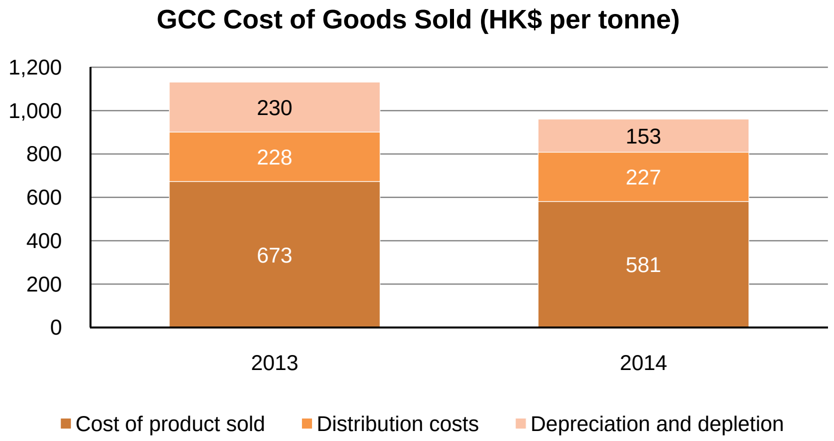
Appendix
– Discontinued Operations

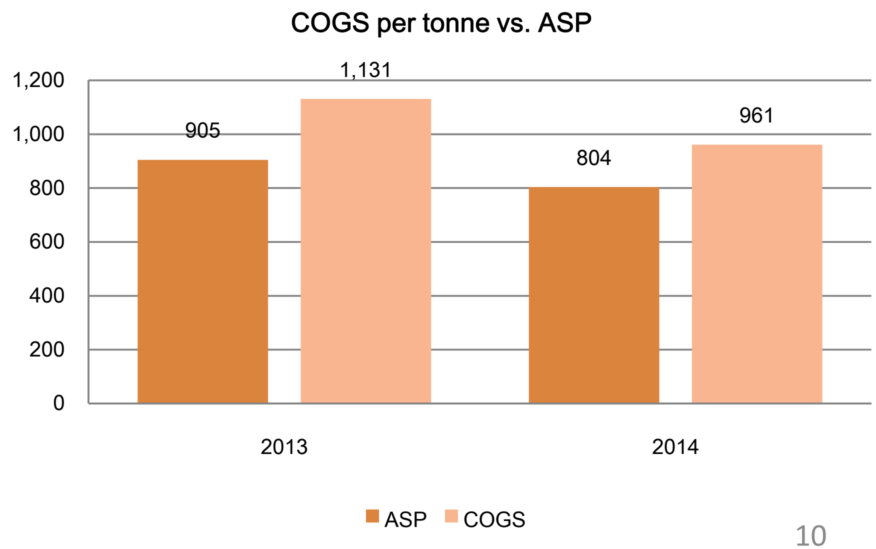


HK$ per tonne	2013	2014
Cost of product sold	673	450
Distribution costs	228	227
Depreciation and depletion	230	284
GCC COGS	**1,131**	**961**

- GCC has taken series of measures to lower its COGS and successfully lowered by 15% to HK$961 per tonne from HK$1,131 per tonne in 2013.

HK$	2013	2014
Average Selling Price ("ASP")	905	804
Cost of Goods Sold ("COGS") per tonne	1,131	961
Gross loss per tonne	(226)	(157)

- Although GCC COGS decreased in 2014, GCC still made huge loss per tonne due to the decreasing coal average selling price ("**ASP**") which decreased by 11.16% to HK$804 per tonne in 2014 from HK$905 per tonne in 2013.
- In 2014, GCC recorded with a revenue of HK$1,273 million with approximately 1.58 million tonnes of coal and coal related products sold.



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Appendix
– Discontinued operations

Difficulties

- **Negative financial impact**: GCC LP incurred significant losses before taxation of HK$321 million, before impairment losses, and net cash outflow of HK$21 million from operating activities and investing activities during the year of 2014, which had a significant negative impact on the Company's financials statements and resulted in cut in banking facility;
- **Liquidity issue**: As at 31 December 2014, GCC LP had total loans of HK$3,278 million (among which HK$129 million is repayable in next 12 months from 31 December 2014) and zero cash balance. GCC consumed huge cash resources from the Company and now Winsway is not able to continue to provide financial support to GCC;
- **Default**: Without immediate financial support, GCC LP will be in default of its obligations under the terms of the loans and may be unable to realise its assets and discharge its liabilities in the normal course of business;
- **Going concern**: The existence of material uncertainty may cast significant doubt about the ability of GCC LP to operate as a going concern in the foreseeable future;

Measures Taken

- **Cease financial support :** Since Winsway did not have sufficient cash to meet GCC substaintial funding requirements, the Company ceased any financial support to GCC since March 2014;
- **Find suitable purchasers:** the Company proactively sought suitable purchasers to take over its equity interest in GCC**.**

  In November 2014, the Company entered into a sales and purchase agreement with Up Energy to sell a 42.74% equity interest in GCC at a cash consideration of US$1. Brief information on the transaction are presented in next page.

Appendix
- Discontinued Operations

27-Jun-14

- The board of Winsway resolved to commit to a plan to sell part or all of the Company's interest in GCC to a level at which the Company would cease to hold a majority or controlling interest

14-Nov-14

- Winsway and the purchaser conditionally agreed to acquire / sell 42.74% equity interest in GCC and GCC LP at cash consideration of US$1
- The purchaser will grant Winsway a buy-back right to acquire a 16.86% interest in GCC and GCC LP
- A Marketing Agency Agreement is being negotiated and finalized that Winsway would be appointed as GCC's exclusive marketing agent for China in relation to the products of GCC for a term of 10 years subject to extension by agreement

Jun-14 → Sep-14 → Nov-14 → 2015

30-Sep-14

- Winsway signed a non-legally binding MOU with Up Energy Resources Company Limited and intended to sell 42.74% of GCC and GCC LP's equity
- The terms of the definitive SPA is yet to be agreed and finalized
- No payment is required to be made upon the signing of the MOU

Recent updates

- In the progress of drafting and finalising transaction documents and the shareholder circular, which are aimed to be submitted to the HKEx in April 2015
- GCC was classified as asset held for sale as of 27 June 2014 and loss in 2014 from the disposal group was HK$4,681 million and loss attributable to equity shareholders of Winsway from the disposal group amounted to HK$2,493 million

Board Consideration

MITIGATION MEASURES TO GOING CONCERN ISSUE

The Group experienced a challenging trading period over the past few years as a result of the continuing depression of the coking coal market. For the year ended 31 December 2014, the Group sustained a further loss from continuing operations before taxation and impairment losses for non-current assets of HK$703,726,000 and incurred a net cash outflow from operating activities of $2,417,795,000 from continuing operations. As at 31 December 2014, the Group had net current assets before the net assets held for sale, of HK$504,599,000, which may not be able to fund the Group's operations in 2015 in view of the net cash outflow in respect of operating activities for the year ended 31 December 2014. In addition, the Group's outstanding 2016 8.5% senior notes in a principal amount of HK$2,364,347,000 as at 31 December 2014 are due to mature on 8 April 2016 ("Senior Notes").

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding Senior Notes and be able to finance its future working capital and financial requirements. Certain measures have been taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

1) The Group has engaged UBS AG, Hong Kong Branch and AlixPartners Services UK LLP as financial advisors to assist it in completing a possible restructuring of the outstanding Senior Notes with cash, equity or other form of consideration offered at a discount to the principal amount (the "Debt Restructuring");

2) The Group is also actively negotiating with prospective investors to raise new capital by carrying out fund raising activities including the issuance of new equity ("Equity Financing"). Such Equity Financing and the Debt Restructuring would likely be interconditional. The Directors believe that such Equity Financing would significantly strengthen the cash flow position of the Group as a whole in the near future;

3) The Group is also negotiating with various financial institutions for the renewal of the existing borrowings upon their maturity and/or obtaining additional financing;

4) The Group is also maximizing its sales efforts, including speeding up sales of its existing inventories, seeking new orders from overseas markets, and implementing more stringent cost control measures with a view to improving operating cash flows.