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E-COMMODITIES HOLDINGS LIMITED
易大宗控股有限公司
(Incorporated in the British Virgin Islands with limited liability)
(Stock Code: 1733)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

1. Revenue of the Group from continuing operations in 2016 was HK$13,502 million, a 135.43% increase over revenue in 2015 of HK$5,735 million.

2. Profit in 2016 was HK$2,872 million, the first profit-making year after four years of continuous loss from 2012 to 2015 (both years inclusive), which includes a gain on debt restructuring of HK$1,948 million. Excluding the gain on debt restructuring, profit in 2016 was HK$924 million.

3. Profit attributable to equity shareholders of the Company from continuing operations in 2016 was HK$2,874 million.

4. Both basic and diluted profit per share were HK$1.488 in 2016, compared to basic and diluted loss of HK$2.620 (restated) in 2015.

5. A final dividend in cash of HK$0.077 per share or HK$231 million has been declared for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	**2016** **$'000**	2015 $'000
Continuing operations:			
Revenue	*3*	**13,501,746**	5,735,319
Cost of sales		**(11,629,480)**	(5,576,764)
Gross profit		**1,872,266**	158,555
Other revenue	*5*	**21,413**	2,991
Distribution costs	*7(c)*	**(192,789)**	(29,141)
Administrative expenses		**(524,785)**	(449,936)
Other operating (expenses)/income, net	*6*	**(14,586)**	3,239
Reversal of impairment/(impairment) of non-current assets	*7(d)*	**4,248**	(1,143,254)
Profit/(loss) from operating activities		**1,165,767**	(1,457,546)
Finance income	*7(a)*	**8,093**	69,535
Finance costs	*7(a)*	**(156,467)**	(365,034)
Net finance costs		**(148,374)**	(295,499)
Gain on debt restructuring	*13*	**1,948,451**	–
Share of profit of an associate		**896**	779
Profit/(loss) before taxation from continuing operations		**2,966,740**	(1,752,266)
Income tax	*8*	**(94,425)**	(3,534)
Profit/(loss) from continuing operations		**2,872,315**	(1,755,800)
Discontinued operation:			
Loss from discontinued operation, net of tax		**–**	(179,587)
Profit/(loss) for the year		**2,872,315**	(1,935,387)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)
for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	**2016** **$'000**	2015 $'000
Attributable to:			
Equity shareholders of the Company:			
Profit/(loss) for the year from continuing operations		**2,873,605**	(1,614,760)
Loss for the year from discontinued operation		**–**	(108,232)
Profit/(loss) for the year attributable to equity shareholders of the Company		**2,873,605**	(1,722,992)
Non-controlling interests:			
Loss for the year from continuing operations		**(1,290)**	(141,040)
Loss for the year from discontinued operation		**–**	(71,355)
Loss for the year attributable to non-controlling interests		**(1,290)**	(212,395)
Profit/(loss) for the year		**2,872,315**	(1,935,387)
Earnings/(loss) per share (2015: restated)			
— Basic and diluted *(HK$)*	*9*	**1.488**	(2.620)
Earnings/(loss) per share — continuing operations (2015: restated)			
— Basic and diluted *(HK$)*	*9*	**1.488**	(2.456)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	2016	2015
	$'000	*$'000*
Profit/(loss) for the year	**2,872,315**	(1,935,387)
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(101,705)**	(186,611)
Total comprehensive income for the year	**2,770,610**	(2,121,998)
Attributable to:		
Equity shareholders of the Company	**2,772,222**	(1,907,420)
Non-controlling interests	**(1,612)**	(214,578)
Total comprehensive income for the year	**2,770,610**	(2,121,998)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2016
(Expressed in Hong Kong dollars)

	Note	At 31 December 2016 $'000	At 31 December 2015 $'000
Non-current assets			
Property, plant and equipment, net		**212,210**	225,333
Construction in progress		**890**	–
Lease prepayments		**462,380**	502,523
Intangible assets		**4,354**	4,816
Interest in an associate		**16,142**	16,320
Other investments in equity securities	*10*	**117,134**	125,065
Other non-current assets	*11*	**–**	–
Total non-current assets		**813,110**	874,057
Current assets			
Inventories		**583,006**	184,785
Trade and other receivables	*12*	**1,609,483**	886,434
Restricted bank deposits		**63,889**	499,104
Cash and cash equivalents		**534,395**	259,574
Trading securities		**–**	613
Total current assets		**2,790,773**	1,830,510
Current liabilities			
Secured bank loans		**724,168**	1,073,197
Trade and other payables	*14*	**873,000**	756,502
Obligations under finance leases		**2,625**	–
Income tax payable		**128,972**	38,002
Senior notes	*13*	**–**	2,388,573
Total current liabilities		**1,728,765**	4,256,274
Net current assets/(liabilities)		**1,062,008**	(2,425,764)
Total assets less current liabilities		**1,875,118**	(1,551,707)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
at 31 December 2016
(Expressed in Hong Kong dollars)

	Note	**At 31 December 2016** **$'000**	At 31 December 2015 *$'000*
Non-current liabilities			
Secured bank loans		**33,537**	27,453
Deferred income		**132,301**	144,008
Obligations under finance leases		**6,011**	–
Total non-current liabilities		**171,849**	171,461
NET ASSETS/(LIABILITIES)		**1,703,269**	(1,723,168)
CAPITAL AND RESERVES			
Share capital	*15*	**5,681,512**	4,992,337
Reserves		**(3,844,264)**	(6,583,138)
Total equity attributable to equity shareholders of the Company		**1,837,248**	(1,590,801)
Non-controlling interests		**(133,979)**	(132,367)
TOTAL EQUITY		**1,703,269**	(1,723,168)

NOTES TO THE FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

E-Commodities Holdings Limited (formerly known as "**Winsway Enterprises Holdings Limited**") (the "**Company**") was incorporated in the British Virgin Islands ("**BVI**") on 17 September 2007 with limited liability under the Business Companies Act of the British Virgin Islands (2004). The Company has changed the name to E-Commodities Holdings Limited with effect from 23 August 2016. The Company and its subsidiaries (together referred to as the "**Group**") are principally engaged in the processing and trading of coking coal and other products and rendering of logistics services. In addition, the Group was engaged in the development of coal mills and production of coking coal, which was classified as discontinued operation of the Group on 27 June 2014, and the disposal of such discontinued operation was completed on 2 September 2015.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

This financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in this financial information.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in an associate and a joint venture.

The Group recorded net losses over the past few years as a result of the continuing depression of the coking coal market. For the year ended 31 December 2016, the coking coal market has seen signs of recovery and the Group recorded a profit from continuing operations before gain on debt restructuring (see note 13) of $923,864,000. In addition, the Group had net current assets of $1,062,008,000 as at 31 December 2016.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections were based on management's estimation of future cash inflows/outflows, including revenue from the processing and trading of coking coal and other products and the rendering of logistics services, gross margins, operating expenses, capital expenditure, finance costs, working capital requirements and the availability of borrowing facilities. The assumptions and estimations were based on the Group's business performance for the year ended 31 December 2016, management's expectations of developments in the coking coal market and the success of cost cutting strategies implemented. In preparing the cash flow projections, management assumed that the recovery in the coking coal market during the year ended 31 December 2016 would continue and, on that basis, developed assumptions relating to future coal selling prices, fluctuations in future coal procurement prices and future sales volumes.

The directors are of the opinion that, assuming the cash flow projections can be achieved, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors are of the opinion that it is appropriate to prepare these financial statements on the going concern basis. Management is not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the processing and trading of coking coal and other products and the rendering of logistics services. Revenue represents the sales value of goods sold, net of value added tax and other sales taxes and is after any trade discounts, and revenue from rendering of logistics services. The amount of each significant category of revenue is as follows:

Continuing operations

	2016	2015
	$'000	*$'000*
Coking coal	**12,259,302**	5,132,256
Thermal coal	**38,413**	84,746
Coal related products	**48,779**	17,519
Petrochemical products	**954,378**	307,562
Steel	**91,311**	–
Coke	**–**	93,543
Iron ores	**11,042**	–
Rendering of logistics services	**92,093**	94,000
Others	**6,428**	5,693
	13,501,746	5,735,319

Among the Group's revenue from the trading of coking coal and other products, $6,971,869,000 (2015: $2,116,522,000) was under framework contracts signed with certain third party companies pursuant to which those third party companies act as agents of the Group to sign sales and purchase contracts with customers and suppliers whilst the Group is responsible for identifying customers and suppliers and negotiating and determining the price, quantity of the commodities and transportation and payment terms with both customers and suppliers respectively (the "**Framework Contracts**").

The Group's customer base is diversified and includes one customer (2015: one) with whom transactions have exceeded 10% of the Group revenues.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Processing and trading of coking coal and other products: this segment manages and operates coal processing plants and generates income from processing and trading of coking coal and other products to external customers.

— Development of coal mills and production of coking coal and related products (classified as a discontinued operation (see note 4)): this segment acquires, explores and develops coal mills and produces coal from the mills. On 1 March 2012, the Group acquired Grande Cache Coal Corporation ("**GCC**"), a Canadian company developing coal mills and producing coking coal and related products from the mills. On 2 September 2015, the Group disposed of 42.74% equity interest in GCC and Grand Cache Coal LP ("**GCC LP**"), which have been ceased to be subsidiaries of the Group. The Group ceased operating business in this segment following the completion of disposal of GCC and GCC LP.

— Logistics services: this segment constructs, manages and operates logistics parks and generates income from rendering of logistics services to external customers within the People's Republic of China ("**PRC**").

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of interests in an associate. Segment liabilities include trade and other payables, obligations under finance leases, deferred income and secured bank loans managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of coal products and logistics services, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit/(loss) is "adjusted EBITDA" i.e. "adjusted earnings/(loss) before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including reversal of impairment/impairment of non-current assets and reversal of provision/provision for impairment losses on trade and other receivables.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

	Processing and trading of coking coal and other products		Development of coal mills and production of coking coal and related products (Discontinued operation)		Logistics services		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**13,409,653**	5,641,319	**–**	249,675	**92,093**	94,000	**13,501,746**	5,984,994
Inter-segment revenue	**–**	–	**–**	54,372	**38,442**	750	**38,442**	55,122
Reportable segment revenue	**13,409,653**	5,641,319	**–**	304,047	**130,535**	94,750	**13,540,188**	6,040,116
Reportable segment profit/(loss) (adjusted EBITDA)	**1,148,014**	(114,240)	**–**	(86,669)	**12,777**	9,865	**1,160,791**	(191,044)
Interest income	**8,007**	46,744	**–**	438	**86**	6	**8,093**	47,188
Interest expense	**(132,324)**	(271,628)	**–**	(172,326)	**(11,397)**	(15,712)	**(143,721)**	(459,666)
Depreciation and amortisation	**(35,374)**	(45,158)	**–**	–	**(2,332)**	(12,257)	**(37,706)**	(57,415)
Reversal of impairment/ (impairment) of non-current assets	**4,248**	(660,725)	**–**	–	**–**	(482,529)	**4,248**	(1,143,254)
Reversal of provision/(provision) for impairment losses on trade and other receivables	**40,951**	(144,982)	**–**	–	**(2,517)**	(7,520)	**38,434**	(152,502)
Adjustments of carrying value of GCC LP's net assets to fair value less costs to sell	**–**	–	**–**	11,793	**–**	–	**–**	11,793
Share of profit of an associate	**–**	–	**–**	–	**896**	779	**896**	779
Reportable segment assets	**3,939,153**	2,991,968	**–**	–	**111,706**	161,677	**4,050,859**	3,153,645
Additions to non-current segment assets during the year	**44,290**	21,359	**–**	–	**572**	28,791	**44,862**	50,150
Reportable segment liabilities	**1,768,723**	4,364,086	**–**	–	**466,037**	491,045	**2,234,760**	4,855,131

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2016	2015
	$'000	*$'000*
Revenue		
Reportable segment revenue	**13,540,188**	6,040,116
Elimination of inter-segment revenue	**(38,442)**	(55,122)
Elimination of discontinued operation	**–**	(249,675)
Consolidated revenue from continuing operations	**13,501,746**	5,735,319
Profit/(loss)		
Reportable segment profit/(loss)	**1,160,791**	(191,044)
Depreciation and amortisation	**(37,706)**	(57,415)
Reversal of impairment/(impairment) of non-current assets	**4,248**	(1,143,254)
Reversal of provision/(provision) for impairment losses on trade and other receivables	**38,434**	(152,502)
Share of profit of an associate	**896**	779
Net finance costs	**(148,374)**	(295,499)
Gain on debt restructuring	**1,948,451**	–
Elimination of discontinued operation	**–**	86,669
Consolidated profit/(loss) before taxation from continuing operations	**2,966,740**	(1,752,266)

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Assets		
Reportable segment assets	**4,050,859**	3,153,645
Interest in an associate	**16,142**	16,320
Elimination of inter-segment receivables	**(463,118)**	(465,398)
Consolidated total assets	**3,603,883**	2,704,567
Liabilities		
Reportable segment liabilities	**2,234,760**	4,855,131
Income tax payable	**128,972**	38,002
Elimination of inter-segment payables	**(463,118)**	(465,398)
Consolidated total liabilities	**1,900,614**	4,427,735

4 DISCONTINUED OPERATION

On 14 November 2014, the Group entered into a sale and purchase agreement with Up Energy Resources Company Limited (the "**Purchaser**") and Up Energy Development Group Limited (the "**Purchaser Guarantor**"), pursuant to which the Purchaser conditionally agreed to acquire and the Group conditionally agreed to sell 42.74% equity interest in GCC and GCC LP at cash consideration of US$1 (the "**Disposal**").

On 2 September 2015, all the conditions precedent to the completion of the Disposal were either satisfied or waived pursuant to the aforementioned sale and purchase agreement, with a total consideration of US$1. Upon the completion of the Disposal, GCC and GCC LP ceased to be subsidiaries of the Group.

5 OTHER REVENUE

	2016	2015
	$'000	*$'000*
Government grants	**21,413**	2,991

6 OTHER OPERATING (EXPENSES)/INCOME, NET

	2016	2015
	$'000	*$'000*
(Loss)/gain on disposal of property, plant and equipment and intangible assets	**(9,290)**	4,268
Net realised and unrealised loss on trading securities	**–**	(1,742)
Net realised and unrealised gain on derivative financial instruments	**9,805**	–
Penalty	**(15,748)**	(983)
Others	**647**	1,696
	(14,586)	3,239

7 PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS

Profit/(loss) before taxation from continuing operations is arrived at after (crediting)/charging:

(a) Net finance costs

	2016	2015
	$'000	*$'000*
Interest income	**(8,093)**	(46,750)
Fair value change of derivative financial instruments	**–**	(22,785)
Finance income	**(8,093)**	(69,535)
Interest on secured bank and other loans*	**45,423**	49,913
Interest on discounted bills	**21,482**	7,231
Interest on senior notes *(note 13)*	**76,816**	230,196
Total interest expense	**143,721**	287,340
Bank charges	**1,174**	4,030
Foreign exchange loss, net	**11,572**	73,664
Finance costs	**156,467**	365,034
Net finance costs	**148,374**	295,499

* During the year ended 31 December 2016, the Group entered into several financing arrangements with a third party company in the form of sale and buyback arrangements. Pursuant to these arrangements, during the year ended 31 December 2016, certain subsidiaries of the Group entered into transactions with that third party company to sell coking coal at an average price of approximately $664/tonne with a total amount of $377,381,000 to that third party company with transfer of rights of coking coal inventories of 568,000 tonnes thereto.

At the same time, other subsidiaries of the Group entered into transactions with the same third party company to purchase the same quantity of coking coal at an average price of approximately $684/tonne with a total amount of $388,326,000 from that third party company with a term of 45 days to be settled afterwards and the rights to the corresponding coking coal inventories were transferred back to the Group upon settlement.

During the year ended 31 December 2016, interest expense of $10,945,000 has been charged to the consolidated statement of profit or loss in relation to these sale and buyback arrangements.

(b) Staff costs

	2016 *$'000*	2015 *$'000*
Salaries, wages, bonus and other benefits	**404,272**	104,300
Contributions to defined contribution retirement plan	**6,866**	7,080
Equity settled share-based payment expenses	**730**	4,535
	411,868	115,915

(c) Distribution costs

Distribution costs represented fees and charges incurred for coal trading and related logistics and transportation costs. Distribution costs increased from $29,141,000 for the year ended 31 December 2015 to $192,789,000 for the year ended 31 December 2016 was due to the recovery of coking coal market in the PRC resulted in the Group's increased sales of coking coal sourced from Mongolia.

(d) Other items

	2016 *$'000*	2015 *$'000*
Amortisation#		
— lease prepayments	**10,901**	11,062
— intangible assets	**723**	830
Depreciation#	**26,082**	45,523
Reversal of provision for impairment losses		
— trade and other receivables *(note 12(b))*	**120,622**	38,403
— other receivables *(note 12(d))*	**81**	150,158
Provision for impairment losses		
— trade and other receivables *(note 12(b))*	**(39,054)**	(36,059)
— other receivables *(note 12(d))*	**(120,083)**	–
(Reversal of impairment losses)/Impairment losses		
— property, plant and equipment	**(4,248)**	596,107
— construction in progress	**–**	153,995
— other investments in equity securities *(note 10)*	**–**	250,656
— loan to a third party *(note 11(i))*	**–**	120,189
— prepayment related to property, plant and equipment *(note 11(ii))*	**–**	22,307
Operating lease charges, mainly relating to buildings	**6,410**	9,930
Auditors' remuneration		
— audit services	**5,484**	5,765
— other services	**1,391**	597
Cost of inventories	**11,578,836**	5,514,991

Cost of inventories includes $34,856,000 (2015: $4,177,000) and $3,912,000 (2015: $6,786,000) for the year ended 31 December 2016 relating to staff costs, depreciation and amortisation which amount is also included in the respective total amount disclosed separately above or in note 7(b) for each type of these expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	2016	2015
	$'000	*$'000*
Continuing operations:		
Current tax — Hong Kong Profits Tax		
Provision for the year	**27,536**	1,508
Current tax — Outside of Hong Kong		
Provision for the year	**66,548**	–
Under-provision in respect of prior years	**341**	2,026
	94,425	3,534

The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

The provision for PRC current income tax is based on a statutory rate of 25% (2015: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2016	2015
	$'000	*$'000*
Continuing operations:		
Profit/(loss) before taxation	**2,966,740**	(1,752,266)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profit/(loss) in the jurisdictions concerned	**228,537**	(382,236)
Tax effect of non-deductible expenses	**4,661**	8,423
Tax effect of utilisation of previously unrecognised tax losses	**(148,537)**	(1,758)
Tax effect of unused tax losses and other temporary differences not recognised	**9,423**	377,079
Under-provision in respect of prior years	**341**	2,026
Actual tax expense	**94,425**	3,534

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of $2,873,605,000 (2015: loss attributable to equity shareholders of the Company of $1,722,992,000) and the weighted average number of ordinary shares of 1,931,279,000 ordinary shares (2015 (restated): 657,564,000 shares after adjusting for the share consolidation in 2016) in issue during the year ended 31 December 2016, calculated as follows:

Weighted average number of ordinary shares (basic):

	2016	2015
	$'000	*$'000*
		(Restated#)
Issued ordinary shares at 1 January	**3,773,199**	3,773,199
Share consolidation	**(3,584,539)**	(3,584,539)
Effect of shares issued under rights issue (including issuance of anti-dilution shares)	**1,237,115**	–
Effect of bonus element on shares issued under right issue	**212,813**	469,213
Effect of scheme shares issued under debt restructuring	**296,907**	–
Effect of purchase of shares held by the employee share trusts*	**(3,190)**	(309)
Effect of purchase of own shares	**(1,026)**	–
Weighted average number of ordinary shares (basic) as at 31 December#	**1,931,279**	657,564

* The shares held by the employee share trusts are regarded as treasury shares.

\# Comparative figures for the weighted average number of ordinary shares for the year ended 31 December 2015 have been adjusted retrospectively for the effect of the share consolidation and rights issue made during the year ended 31 December 2016.

(b) Diluted earnings/(loss) per share

The Group had no potentially dilutive ordinary shares in issue during year ended 31 December 2016.

For the year ended 31 December 2015, basic and diluted loss per share was the same as the effect of the potential ordinary shares outstanding was anti-dilutive.

10 OTHER INVESTMENTS IN EQUITY SECURITIES

	2016	2015
	$'000	*$'000*
Other investments in equity securities	**351,893**	375,721
Less: impairment losses	**(234,759)**	(250,656)
	117,134	125,065

Other investments in equity securities represent the Group's equity interests in third party companies engaged in coal mining, railway logistics, ports management and coal storage business. As at 31 December 2016, the Group holds equity interests in a range of 1-15% in these companies.

In 2015, an impairment loss of $250,656,000 was recorded to fully write down the carrying amount of the Group's investments in certain of these companies due to the unsatisfactory operating performance of these companies. The impairment was calculated based on fair value assessments of the respective investments performed by an independent appraiser using discounted cash flows method based on cash flow projections taking into account the transportation price and volume assumptions and source data provided by the management of the investees. The expected net cash flows were discounted using a risk adjusted pre-tax discount rate of 12.36%. As a full impairment provision had already been provided for these companies during the year ended 31 December 2015, no further loss incurred by these companies during the year ended 31 December 2016 was taken up in the Company's consolidated financial statements and changes during the current period represented effect of exchange rate changes.

11 OTHER NON-CURRENT ASSETS

	2016	2015
	$'000	*$'000*
Loan to a third party *(note (i))*	**–**	–
Advance payments for equipment purchase and construction in progress *(note (ii))*	**–**	–
	–	–

(i) In 2009, the Company agreed to provide a loan to Moveday Enterprises Limited ("**Moveday**") to purchase additional vehicles to meet with the increasing volume of coal procured by the Group in Mongolia, and Moveday agreed to use the trucks purchased through financing provided by the Company for the provision of transportation services to the Group during the term of the agreement. Pursuant to a loan agreement entered into on 10 April 2010 (as subsequently amended by a supplemental deed on 15 September 2010) and the strategic alliance agreement, the Company agreed to lend Moveday up to US$40 million solely for the purpose of purchasing vehicles for transporting coal purchased by the Group in Mongolia. The loan to Moveday was provided on an unsecured basis, at an interest rate of LIBOR plus 3% and repayable over five years in equal annual installments of US$8 million, commencing from 18 months after the receipt of the loan (being 31 December 2012) by Moveday, with interest payable semi-annually in arrears. The entire loan amount was fully drawn down in 2010. As Moveday being a third party and the loan to Moveday was an unsecured loan, the Group did not have any interest in or control over the cash flows or other assets of Moveday other than in accordance with the terms of the loan agreement (as amended).

In 2013, the Group entered into another supplemental agreement with Moveday to modify the repayment terms of the remaining outstanding principal of US$32 million. Pursuant to the supplemental agreement, the remaining outstanding principal was repayable on 31 December from 2013 to 2015 with an amount of US$4 million plus a floating repayment amount. The floating repayment amount was calculated based on the volume of coals transported (maximum of 12 million tonnes) by Moveday for the Group and up to US$6 million during each year. Apart from the repayment terms, all the other terms of the loan were not changed and Moveday was obliged to repay the entire outstanding principal on or before 31 December 2016.

In October 2015, Moveday informed the Group that they could not repay the outstanding principal and interest as scheduled in the above-mentioned supplemental agreement due to the financial difficulty encountered.

For the year ended 31 December 2015, the Group made an impairment provision of $120,189,000 against the remaining outstanding loan balance as at 31 December 2015 based on the communication with management of Moveday about the adverse financial and operating circumstances of Moveday in 2015.

During the four months ended 30 April 2016, the Group has incurred expenses of $51,609,000 (31 December 2015: $81,000,000) for coking coal transportation services provided by Moveday. On 30 April 2016, the transportation agreement entered into by the Group and Moveday has expired and the Group determined not to renew such agreement and engaged another third party company to provide such transportation services to the Group (the third party company may use Moveday as sub-contractor for transportation at its discretion). As at 31 December 2016, the outstanding loan balance is US$15,500,000 (equivalent to approximately $120,260,000) (31 December 2015: US$20,400,000 (equivalent to approximately $158,075,000)). The Group continued to pursue recovery of the outstanding loan balance but given the circumstances considered it appropriate to continue to fully provide against the remaining outstanding loan balance.

(ii) For the year ended 31 December 2015, the Group provided a full impairment of $22,307,000 for all advance payments for equipment purchase and construction in progress in relation to the coal processing plants and logistic park facilities which have ceased construction.

12 TRADE AND OTHER RECEIVABLES

	2016	2015
	$'000	*$'000*
Trade receivables	**416,925**	211,566
Bills receivable	**476,197**	261,505
Receivables from import agents	**254,197**	9,916
Less: allowance for doubtful debts	**(137,786)**	(58,870)
	1,009,533	424,117
Loan to a third party company *(note 11(i))*	**–**	37,886
Prepayments to suppliers	**299,368**	111,082
Derivative financial instruments*	**38,406**	31,760
Deposits and other receivables	**303,461**	442,957
Less: allowance for doubtful debts	**(41,285)**	(161,368)
	1,609,483	886,434

* As at 31 December 2016, derivative financial instruments represented the fair value of commodity futures contracts entered into by the Group.

As at 31 December 2015, derivative financial instruments represented fair value of foreign exchange forward contracts and commodity futures contracts entered into by the Group.

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

The credit terms for trade debtors are generally within 90 days. The credit terms for receivables from import agents can be as long as one year, which are comparable to the credit terms for payables to import agents as granted to the Group. Bills receivable are normally due within 180 days to 360 days from the date of issuing.

At 31 December 2016, trade and bills receivable of the Group of $176,721,000 (31 December 2015: $230,365,000) have been pledged as collateral for the Group's borrowings.

(a) Ageing analysis

Included in trade receivables, bills receivable and receivables from import agents are trade debtors with the ageing analysis, based on the invoice dates and net of allowances for bad debt, as follows:

	2016	2015
	$'000	*$'000*
Less than 3 months	**568,823**	109,642
More than 3 months but less than 6 months	**440,710**	168,056
More than 6 months but less than 1 year	**–**	133,940
More than 1 year	**–**	12,479
	1,009,533	424,117

(b) Impairment of trade receivables, bills receivable and receivables from import agents

Impairment losses in respect of trade receivables, bills receivable and receivables from import agents are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables, bills receivable and receivables from import agents.

The movement in the allowance for doubtful debts during the year is as follows:

	2016	2015
	$'000	*$'000*
At 1 January	**58,870**	56,526
Impairment loss recognised	**120,622**	38,403
Amounts written off	**(2,652)**	–
Reversal of impairment loss	**(39,054)**	(36,059)
At 31 December	**137,786**	58,870

At 31 December 2016, the Group's trade receivables, bills receivable and receivables from import agents of $137,786,000 (2015: $71,044,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $137,786,000 (2015: $58,870,000) were recognised.

The reversal of impairment loss represented trade receivables impaired in prior years for which the amounts have been recovered by the Group during the year ended 31 December 2016.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade receivables, bills receivable and receivables from import agents that were neither individually nor collectively considered to be impaired is as follows:

	2016	2015
	$'000	*$'000*
Neither past due nor impaired	**940,764**	318,826
Less than 3 months past due	**68,769**	27,088
More than 3 months but less than 12 months past due	**–**	66,029
	1,009,533	411,943

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Impairment of other receivable

The movement in the allowance for doubtful debts during the year is as follows:

	2016	2015
	$'000	*$'000*
At 1 January	**161,368**	11,210
Impairment loss recognised	**81**	150,158
Amounts written off	**(81)**	–
Reversal of impairment loss	**(120,083)**	–
At 31 December	**41,285**	161,368

As at 31 December 2016, included in the impairment loss are impaired value added tax ("**VAT**") recoverable of $25,306,000 (31 December 2015: $144,079,000) that have accumulated to date in certain subsidiaries of the Group which can be deducted from VAT on future sales made. The directors of the Company are of the opinion that the recoverability of such amount after commercial production is remote.

The reversal of impairment loss represents the VAT recoverable, impaired in the prior year and which has been utilised by the Group during the year ended 31 December 2016 or is expected to be utilised in the near future due to the recovery of coking coal market.

13 SENIOR NOTES

	2016	2015
	$'000	*$'000*
Senior notes due in 2016	–	2,388,573

On 8 April 2011, the Company had issued senior notes in the aggregate principal amount of US$500,000,000 ("**Senior Notes**") and listed on the Singapore Exchange Securities Trading Limited. The Senior Notes bear interest at 8.50% per annum, payable semi-annually in arrears. During the year ended 31 December 2012 and 2013, the Group repurchased Senior Notes in an aggregate principal amount of US$190,690,000 in the open market. The outstanding Senior Notes with principal amount of US$309,310,000 matured on 8 April 2016.

During the year ended 31 December 2015, the Group did not make the scheduled interest payments of US$13.15 million in relation to the Senior Notes which fell due on each of 8 April 2015 and 8 October 2015, respectively ("**Interest Payment**"). The Group has defaulted on outstanding Senior Notes amounting to US$309,310,000 as at 31 December 2015 after the 30-day grace period expired on 8 May 2015 for making the Interest Payment under the terms of the indenture, as amended and supplemented.

On 25 November 2015, the Company, certain of its subsidiaries and certain of the holders of the Senior Notes ("**Bondholders**") entered into a restructuring support agreement ("**Restructuring Support Agreement**"), pursuant to which such Bondholders agreed to support the proposed restructuring of the outstanding Senior Notes ("**Debt Restructuring**") to be implemented through schemes of arrangement under section 179A of the Business Companies Act of the British Virgin Islands (2004) ("**BVI Scheme**") and sections 673 and 674 of the Companies Ordinance (Cap. 622) (as amended) as applicable in Hong Kong ("**Hong Kong Scheme**") (collectively "**Schemes**").

The Debt Restructuring was consisted of a redemption of the outstanding Senior Notes and Interest Payments and all accrued, scheduled interest payments up to the date of the settlement at a discount, with Bondholders accepting a combination of (i) cash consideration of US$50 million minus a consent fee in a total amount equal to 2% of the outstanding principal and accrued but unpaid interest in respect of the Senior Notes as at the date of the Restructuring Support Agreement ("**Consent Fee**"), and a success fee payable to Houlihan Lokey (China) Limited ("**Houlihan Lokey**") which was appointed to act as the financial advisor to the Bondholders ("**Cash Consideration**"); (ii) new ordinary shares of the Company allotted and issued to the Bondholders representing not less than 18.75% of the total issued shares on a fully diluted basis upon completion of the Debt Restructuring ("**Scheme Shares**"); and (iii) contingent value rights ("**CVRs**") which would give rise to a one-off payment of US$10 million to the Bondholders upon the occurrence of a triggering event that is the Company's adjusted profit before taxation in any of the 5 years from the issue date of the CVRs exceeding US$100 million ("**Triggering Event**").

The Cash Consideration as well as the Consent Fee and the success fee of Houlihan Lokey was funded by the proceeds of a rights issue ("**Rights Issue**").

On 23 June 2016, all Scheme Conditions (as defined in the prospectus published by the Company on 31 May 2016 ("**Prospectus**")) were satisfied and the Debt Restructuring became effective.

On 28 June 2016, a total number of 322,706,001 Initial Scheme Shares were allotted and issued to the Initial Bondholders and the remaining 243,273,777 Scheme Shares were allotted and issued to the Participating Bondholders on 7 October 2016 ("**Final Distribution Date**").

At the Debt Restructuring effective date on 23 June 2016, the carrying value of the Senior Notes including accrued interest amounted to approximately $2,719,877,000. The fair value of the consideration to settle the Senior Notes was cash consideration of US$50 million (equivalent to approximately $388,194,000), the fair value of 565,979,778 Scheme Shares of approximately $305,629,000 based on the closing price of the Company's shares as traded in The Stock Exchange of Hong Kong Limited on 23 June 2016 of $0.54 per share, and the fair value of the CVRs of US$10 million (equivalent to approximately $77,603,000) based on its notional value, given the Triggering Event has been occurred during the year ended 31 December 2016. The excess of carrying value of the Senior Notes over the fair value of the consideration to settle the Senior Notes, amounting to approximately $1,948,451,000, has been recognised by the Group as a gain on Debt Restructuring of Senior Notes and credited to profit or loss for the year ended 31 December 2016. There were no Senior Notes outstanding as at 31 December 2016.

For year ended 31 December 2016, interest on the Senior Notes of $76,816,000 (see note 7(a)) and expenses incurred in relation to the Debt Restructuring of $65,181,000 (as included in Administrative expenses) was charged to the profit or loss.

14 TRADE AND OTHER PAYABLES

	2016	2015
	$'000	*$'000*
Trade and bills payables	**212,377**	242,055
Payables to import agents	**1,772**	8,737
Amounts due to related parties	**–**	383
Prepayments from customers	**26,283**	34,284
Payables in connection with construction projects	**58,617**	103,593
Payables for purchase of equipment	**7,708**	2,323
Payable for contingent value rights *(note 13)*	**77,553**	–
Others*	**488,690**	365,127
	873,000	756,502

* Included bonus payable to directors amounting to approximately $180,084,000 (2015: $nil).

At 31 December 2016, bills payable amounting to $11,514,000 (2015: $159,597,000) have been secured by deposits placed in banks with an aggregate carrying value of $11,514,000 (2015: $158,093,000).

As of the end of the reporting period, the ageing analysis of trade and bills payables and payables to import agents (which are included in trade and other payables), based on the invoice date, is as follows:

	2016	2015
	$'000	*$'000*
Within 3 months	**199,665**	106,116
More than 3 months but less than 6 months	**10,655**	132,084
More than 6 months but less than 1 year	**–**	8,778
More than 1 year	**3,829**	3,814
	214,149	250,792

Trade and bills payables and payables to import agents are expected to be settled within one year or are repayable on demand. The maturity analysis of these payables is as follows:

	2016 $'000	2015 $'000
Due within 1 month or on demand	**202,634**	164,315
Due after 1 month but within 3 months	**8,161**	–
Due after 3 months but within 6 months	**3,354**	86,477
	214,149	250,792

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

A final dividend of HK$0.077 per share was declared attributable to the year ended 31 December 2016 (2015: $nil).

(ii) There is no dividends payable to equity shareholders of the Company attributable to previous financial year, approved and paid during the year ended 31 December 2016 (2015: $nil).

(b) Share capital

	2016 '000 No. of shares	2015 '000 No. of shares
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

	2016 No. of shares '000	2016 $'000	2015 No. of shares '000	2015 $'000
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	**3,773,199**	**4,992,337**	3,773,199	4,992,337
Shares Consolidation *(note i)*	**(3,584,539)**	**–**	–	–
Right Shares issued upon rights issue *(note ii)*	**565,980**	**383,546**	–	–
Anti-dilution Shares issued under rights issue *(note ii)*	**1,697,939**	**–**	–	–
Scheme Shares issued under Debt Restructuring *(note iii)*	**565,980**	**305,629**	–	–
At 31 December	**3,018,559**	**5,681,512**	3,773,199	4,992,337

Notes:

(i) Share consolidation

Pursuant to the resolution passed at the extraordinary general meeting of the Company held on 16 May 2016, the share consolidation of every twenty issued ordinary shares of the Company into one ordinary share of the Company (the "**Consolidated Share**") became effective on 18 May 2016.

(ii) Shares issued under rights issue

As disclosed in note 13, the Cash Consideration as well as the Consent Fee and the success fee of Houlihan Lokey was funded by the proceeds of a rights issue ("**Rights Issue**") which was on the basis of three rights shares ("**Rights Shares**") for each Consolidated Share held on the record date at the subscription price of $0.69 per rights share. As a mechanism to counter the dilutive effect of the issue of the Scheme Shares under the Debt Restructuring, three anti-dilution shares will be issued for no further consideration for each Rights Share subscribed ("**Anti-dilution Shares**").

As stated in the Prospectus as updated by the supplemented announcement dated 24 August 2016, the Scheme Shares would be distributed on two separate dates under the terms of the Schemes:

(a) on 28 June 2016 ("**Initial Distribution Date**"), a proportion of the Scheme Shares would be distributed among all Bondholders that have submitted a claim in the Schemes by the initial scheme consideration deadline on 17 May 2016 (the "**Initial Bondholders**"); and

(b) on 7 October 2016 ("**Final Distribution Date**"), the remainder of the Scheme Shares would be distributed among those Bondholders that have submitted a claim in the Schemes by 23 September 2016 (including the Initial Bondholders) (the "**Participating Bondholders**").

The Anti-dilution Shares to be issued and allotted on the Initial Distribution Date ("**Initial Anti-dilution Shares**") would be allotted and issued in the same proportion to the total Anti-dilution Shares as the Scheme Shares to be issued and allotted on the Initial Distribution Date ("**Initial Scheme Shares**") bear to the total number of Scheme Shares.

On 28 June 2016, a total number of 565,979,778 Rights Shares have been allotted and issued at the subscription price of $0.69 per Rights Share for net proceeds of $383,546,000 which has been credited to share capital account, and a total number of 322,706,001 Initial Scheme Shares have been allotted and issued to the Initial Bondholders in accordance with the terms of the Schemes on the Initial Distribution Date. Accordingly, a total number of 968,114,195 Anti-dilution Shares has been allotted and issued for distribution on the Initial Distribution Date to qualifying shareholders allotted and issued Rights Shares.

On 7 October 2016, the remaining 243,273,777 Scheme Shares and 729,825,139 Anti-dilution Shares have been allotted and issued to the Participating Bondholders.

(iii) Scheme Shares issued under Debt Restructuring

As disclosed in note (ii), during the year ended 31 December 2016, a total number of 565,979,778 Scheme Shares have been allotted and issued to the Participating Bondholders in accordance with the terms of the Schemes. The fair value of these Scheme Shares of $305,629,000 has been credited to share capital account.

(c) Share issued under share option scheme

No option was exercised during the year ended 31 December 2016 (2015: $nil).

(d) Terms of unexpired and unexercised share options at the end of the reporting period

	Exercise price	**2016**	2015
	$	***Number***	*Number*
Exercise period			
October 2014 to 22 July 2019	0.420	**–**	83,025,000

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by KPMG, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2016.

Qualified opinion

We have audited the consolidated financial statements of E-Commodities Holdings Limited (formerly known as "Winsway Enterprises Holdings Limited") ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 2 to 26 of this announcement, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622, Laws of Hong Kong).

Basis for qualified opinion

As disclosed in note 11 to the consolidated financial statements, as at 31 December 2016, the Group had an outstanding loan due from Moveday Enterprises Limited ("**Moveday**") of US$15,500,000 (equivalent to approximately $120,260,000) (31 December 2015: US$20,400,000 (equivalent to approximately $158,075,000)), against which an impairment provision of $120,260,000 (31 December 2015: $120,189,000) has been recognised. This impairment provision takes into account information about the adverse financial and operating circumstances of Moveday since 2015 and lack of significant improvements in its financial and operating circumstances during the year ended 31 December 2016, but not the possibility of any recovery that may be achieved in future through re-negotiation of the terms of the loan or alternative forms of settlement in kind. In our auditor's report dated 22 April 2016 on the consolidated financial statements for the year ended 31 December 2015 we disclaimed an opinion due to, amongst other matters, a limitation in the scope of our audit relating to this impairment provision, as we were unable to obtain sufficient appropriate audit evidence to evaluate the reasonableness of the assumptions adopted by the directors of the Company in estimating the expected timing and amounts of future cash flows arising from the loan. This matter has not been resolved and therefore we continue to be unable to reach a conclusion as to whether the directors' judgement in this matter is appropriate and, therefore, whether the amount of this impairment provision is, or is not, in accordance with the applicable accounting framework. Any decrease in the impairment losses recognised against the loan balance due from Moveday would affect the net assets of the Group as at 31 December 2016 and could also affect the Group's profit for the year then ended, the opening balance of accumulated losses as at 1 January 2016, net liabilities as at 31 December 2015 and the related disclosures in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the British Virgin Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

CHAIRMAN STATEMENT

Dear shareholders and colleagues,

On the occasion of announcing the annual results of E-Commodities Holdings Limited ("**E-Commodities**", together with its subsidiaries, the "**Group**") for 2016, I would like to take the opportunity to express my heartfelt gratitude for your staunch support over the years and your solid confidence in our future development. Your support and confidence are no doubt the key factors empowering the Company to tide over the challenges of the tough market environment in the past few years and start afresh to embark on business initiatives with promising prospects. I wish to express my profound gratitude for your steadfast backing and trust. We will as usual make every effort to create value for our shareholders and colleagues.

The year 2016 was a difficult yet fruitful year for E-Commodities, during which we not only accomplished in the Hong Kong market our rights issue and debt restructuring of our high-yield bonds, but also made a remarkable turnaround in our core business and achieved significant growth for the benefit of our shareholders and bond investors.

On another front, as an integral part of our business plan, we will further develop our supply chain logistics business. We hope that sustained development of our supply chain logistics business and incessant strengthening of our core business will culminate in sound growth for E-Commodities in 2017. The Group will also continue its efforts in boosting efficiency and lowering costs, as well as prudently managing cash flows and controlling risks. All these initiatives are intended to pave the way for maximizing returns to our shareholders.

On behalf of the Board, I would like to extend sincere appreciation to all shareholders and creditors for their long-time support rendered to the Group. Last but not the least, I would like to thank the management and colleagues, especially coal business sector for their loyalty even in the most difficult time and for their relentless efforts and outstanding accomplishments under such an extremely challenging market environment. In line with the existing development strategies, the management will continue to steer the Group forward with all our colleagues while striving to strengthen our competitive edge and reward shareholders by creating more value.

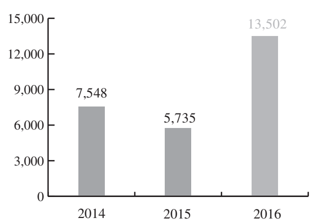
Cao Xinyi
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

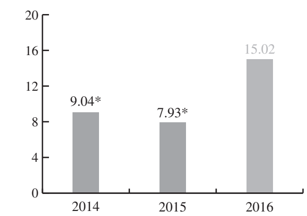
The following discussion and analysis should be read in conjunction with the Group's financial information and the notes thereto. The Group's financial information have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

I. Overview

Revenue from continuing operations *(in HK$ million)*

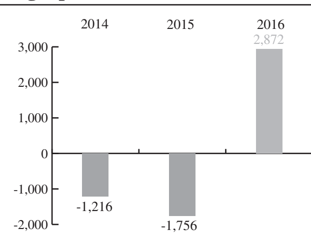


Coal Sales Volume *(million tonnes)*

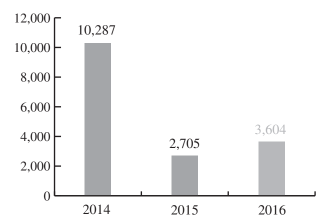


* GCC-produced coal is not included in the coal sales volume of the year of 2014 and 2015.

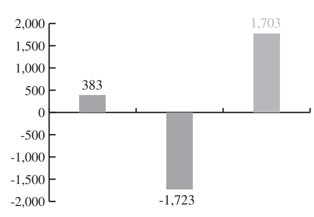
Net Profit (loss) from Continuing Operations *(in HK$ million)*



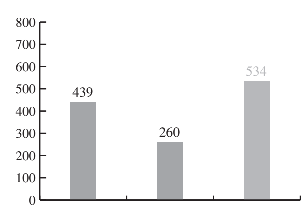
Total Assets *(in HK$ million)*



Total Equity *(in HK$ million)*



Cash Balance *(in HK$ million)*

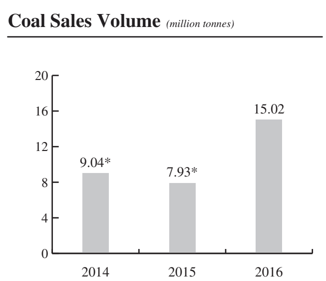


II. Financial Review

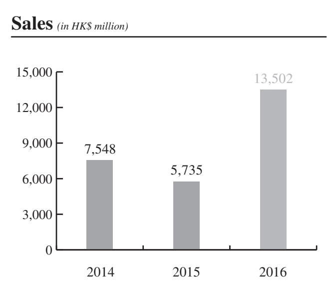
1. *Sales*

(1) Overview

In 2016, our sales revenue was HK$13,502 million, a 135.43% increase compared to HK$5,735 million in 2015. The increase is primarily attributable to supply-side policy reform under PRC national policies addressing over-capacity in production of coal which stabilized and even increased the price of coking coal and thermal coal. An overall improvement in the coal market during the second half of 2016, together with the supply-side policy reform, has resulted in a move from oversupply to greater balance between supply and demand. According to Platts' data, premium hard coking coal averaged FOB Australia jumped from US$77 per tonne in January 2016 to US$264 per tonne in December 2016, reaching a peak in November 2016 of US$302 per tonne.



* GCC-produced coal is not included in the coal sales volumes for 2014 and 2015.



(2) Sales from Continuing Operations

	FY2016	FY2015
	HK$'000	*HK$'000*
Coking coal	**12,259,302**	5,132,256
Thermal coal	**38,413**	84,746
Coal-related products	**48,779**	17,519
Petrochemical products	**954,378**	307,562
Steel	**91,311**	–
Coke	**–**	93,543
Iron ore	**11,042**	–
Rendering of logistics services	**92,093**	94,000
Others	**6,428**	5,693
	13,501,746	5,735,319

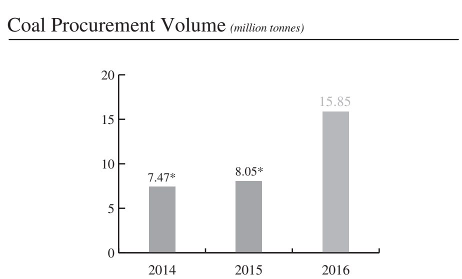
In 2016, approximately 90.80% of sales revenue was generated from the sales of coking coal, compared to approximately 89.49% in 2015.

The Group has adjusted its business strategy to diversify its trading categories and expand its products lines from coking coal and coal-related products to petrochemical products, steel, iron ore, and others since 2015 and continued such strategy in 2016.

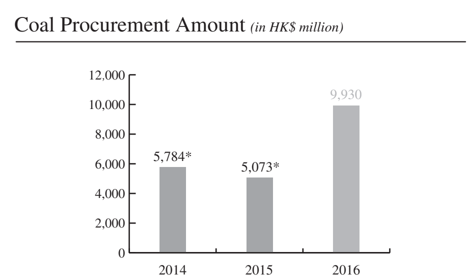
In 2016, our top 5 customers accounted for 43.13% of our total sales, whereas the same ratio was 58.57% in 2015. These customers are mainly large-scale State-owned steel groups throughout China, being leading companies in the industry.

2. *Cost of Goods Sold ("COGS")*

COGS primarily consists of the purchase price, transportation costs of Mongolian coal from the Sino-Mongolian border to our washing plants and washing-related costs. COGS in 2016 was HK$11,629 million, which was a 108.52% increase compared to HK$5,577 million in 2015. The increase was primarily attributable to the sharply increased procurement volume of coal in 2016 of 15.85 million tonnes from 8.05 million tonnes in 2015. Most coal of the Group was purchased from other countries, of which, the majority from Australia and Mongolia.



* GCC-produced coal is not included in the coal procurement volume for 2014 and 2015.



* GCC-produced coal is not included in the coal procurement volume for 2014 and 2015.

In 2016, total procurement amount of coal was HK$9,930 million, of which, the top five coal suppliers accounted for 42.88%. BHP Billiton as the top one coal supplier was accounted for 11.75% of the total procurement amount. No company directors or their affiliates or company shareholders with over 5% shares (5% inclusive) has any interest in suppliers.

3. *Gross Profit from continuing operations*

The Group recorded a gross profit of HK$1,872 million in 2016, compared to a gross profit of HK$159 million recorded in 2015. The gross profit was mainly contributed by improved profitability per tonne of coking coal in 2016 driven by the recovering coking coal market and better balanced relationship between demand and supply.

4. *Administrative Expenses from continuing operations*

Administrative expenses were HK$525 million in 2016, an increase of 16.67% over HK$450 million of administrative expenses incurred in 2015. In 2016, staff-related expenses increased 225% to HK$364 million from approximately HK$112 million in 2015. This was mainly due to the payment of annual bonus based on previously agreed performance appraisal. In 2016, net reversal of impairment losses on trade and other receivables of HK$38 million was recorded for which amounts have been recovered by the Group during the year ended 31 December 2016.

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Staff-related expenses*	**364,338**	111,736
Provision for impairment losses on trade receivables	**81,568**	2,344
(Reversal of provision)/provision for impairment losses on other receivables	**(120,002)**	150,158
Others	**198,881**	185,698
Total	**524,785**	449,936

* For the year ended 31 December 2016, staff-related expense of the Group increased significantly, mainly comprising a bonus of approximately HK$247 million. The following factors were considered in determining the bonus, business profit made by each business sector team, individual performance and overall profit of the Company. A certain proportion ranging from 10–20% of the business profit made by each business sector team is appropriated for use as bonus. The proportion was determined by reference to the incentive schemes of peers in the market, and with the aim of boosting performance so as to maintaining team stability and morale, and ensuring that the Company is competitive enough in the market to retain outstanding employees. In this regard, Ms. Zhu Hongchan (the Company's executive director and general manager of the coking coal business) and her coking coal sector team made a business profit of HK$1,156 million for the Company, 10% of the first HK$78 million business profit was appropriated and 20% of the remaining HK$1,078 million business profit was appropriated towards payment as bonus. The bonus of the coking coal sector team was HK$223 million in total and after retaining 20% as guarantee for future performance, the distributable bonus was HK$179 million.

5. *Net Finance Costs from continuing operations*

In 2016, the Group recorded net finance costs of HK$148 million in total, compared to net finance costs of HK$295 million in 2015. Eliminating the impact of interest on senior notes both in 2016 and 2015, net finance costs in these two years were maintained closely at the same level.

	2016	2015
	HK$'000	*HK$'000*
Interest income	**(8,093)**	(46,750)
Fair value change of derivative financial instruments	**–**	(22,785)
Finance income	**(8,093)**	(69,535)
Interest on secured bank and other loans	**45,423**	49,913
Interest on discounted bills	**21,482**	7,231
Interest on senior notes	**76,816**	230,196
Total interest expense	**143,721**	287,340
Bank charges	**1,174**	4,030
Foreign exchange loss, net	**11,572**	73,664
Finance costs	**156,467**	365,034
Net finance costs	**148,374**	295,499

6. *Net profit and profit per share*

Our net profit totalled HK$2,872 million in 2016, the first profit-making year after four years of continuous loss from 2012 to 2015 (both years inclusive). The breakdown of the net profit for the year ended 31 December 2015 and 2016 is as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
	HK$'million	*HK$'million*
Net profit/(loss) from continuing operations	**2,872**	(1,756)
Net profit/(loss) from discontinued operation	**–**	(179)
Total net profit/(loss)	**2,872**	(1,935)

In connection with the senior notes restructuring, the Group carried out a share consolidation by consolidating 20 ordinary shares into 1 consolidated share and the rights issue in the proportion of 3 rights shares and 9 anti-dilution shares for every 1 consolidated share. After calculation, the weighted average number of ordinary shares as at 31 December 2016 was 1,931,279,000. The calculation of basic earning per share is based on profit attributable to equity shareholders of the Company of HK$2,874 million in 2016 and the weighted average number of ordinary shares as described above.

Net profit per share (diluted) was HK$1.488 in 2016, compared to net loss per share (diluted) of HK$2.620 in 2015. A breakdown of the net profit/(loss) per share for the year ended 31 December 2015 and 2016 is as follows:

	Year ended 31 December 2016 *HK$*	Year ended 31 December 2015 *HK$*
Net profit/(loss) per share from continuing operations	**1.488**	(2.456)*
Net profit/(loss) per share from discontinued operation	**–**	(0.164)*
Total net profit/(loss) per share	**1.488**	(2.620)*

* Comparative figures for the weighted average number of ordinary shares for the year ended 31 December 2015 have been adjusted retrospectively for the effect of the share consolidation and rights issue made during the year ended 31 December 2016.

7. *Reversal of Impairment/Impairment Loss*

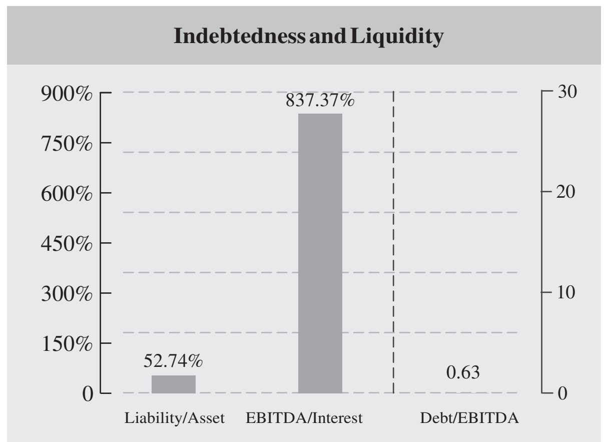
An impairment loss of HK$596,107,000 for property, plant and equipment in respect of the Group's coal processing factories and logistics facilities in the PRC was charged to the consolidated statement of profit or loss for the year of 2015 due to the unfavorable future prospects of the coking coal business and production suspension or low utilization of the coal processing factories and logistic facilities.

During 2016, a reversal of the impairment loss of approximately HK$4,248,000 relating to coal processing factories and logistics facilities in the PRC was charged to the consolidated statement of profit or loss due to the recovery of the coaling coal market.

The impairment loss or reversal of the impairment loss has been provided based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a five-year period. The cash flows are discounted using a discount rate of 12.00% (2015: 12.36%). The discount rate used reflects specific risks relating to the relevant segments.

8. Indebtedness and Liquidity

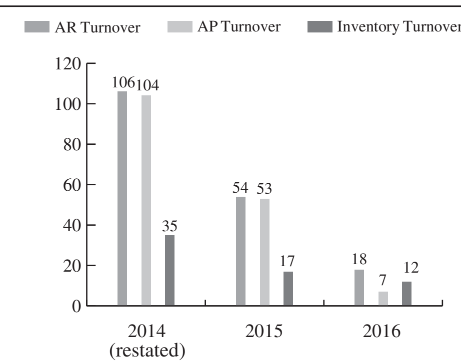
The total amount of bank loans owed by the Group at the end of 2016 was HK$758 million. Interest rates on these loans range from 2.80% to 7.84% per annum, whereas the range in 2015 was from 1.63% to 5.35%. The Group's gearing ratio at the end of 2016 was 52.74%, which was a significant improvement compared to 163.71% at the end of 2015. This improvement was largely a result of the completion of the senior notes restructuring. The Group calculates gearing ratio on the basis of total liabilities divided by total assets.



9. Working Capital

Our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 18 days, 7 days, and 12 days, respectively, in 2016. As a result, the overall cash conversion cycle was approximately 23 days in 2016, which was 5 days longer than the Group's cash conversion cycle realised in 2015.

Working Capital



10. *Pledge of Assets*

At 31 December 2016, bank loans amounting to HK$27,035,000 (2015: HK$205,932,000) were secured by bank deposits placed in banks with an aggregate carrying value of HK$27,901,000 (2015: HK$201,280,000).

At 31 December 2016, bank loans amounting to HK$176,721,000 (2015: HK$138,980,000) were secured by trade and bills receivables with an aggregate carrying value of HK$176,721,000 (2015: HK$122,941,000).

At 31 December 2016, bank loans amounting to HK$520,412,000 (2015: HK$673,891,000) were secured by land use rights and property, plant and equipment with an aggregate carrying value of HK$389,756,000 (2015: HK$553,567,000).

At 31 December 2016, bank loans amounting to HK$33,537,000 (2015: HK$nil) were secured by a credit guarantee provided by one subsidiary of the Group with a guarantee amount of HK$33,537,000 (2015: HK$nil).

At 31 December 2016, bank loans amounting to HK$nil (31 December 2015: HK$81,847,000) were secured by bills receivable, land use rights and property, plant and equipment with an aggregate carrying value of HK$nil (2015: HK$114,834,000).

11. *Senior Notes*

On 8 April 2011, the Company issued senior notes in the aggregate principal amount of US$500,000,000 ("**Senior Notes**") which were listed on the Singapore Exchange Securities Trading Limited. The Senior Notes bear interest at 8.50% per annum, payable semi-annually in arrears. During the two years ended 31 December 2013, the Group repurchased Senior Notes in an aggregate principal amount of US$190,690,000 in the open market. The outstanding Senior Notes with principal amount of US$309,310,000 matured on 8 April 2016.

During the year ended 31 December 2015, the Group did not make the scheduled interest payments of US$13.15 million in relation to the Senior Notes which fell due on each of 8 April 2015 and 8 October 2015, respectively ("**Interest Payment**") and was in default. The Group has defaulted on outstanding Senior Notes amounting to US$309,310,000 as at 31 December 2015 after the 30-day grace period expired on 8 May 2015 for making the 8 April 2015 interest payment under the terms of the indenture, as amended and supplemented.

On 25 November 2015, the Company, certain of its subsidiaries and certain of the holders of the Senior Notes ("**Bondholders**") entered into a restructuring support agreement ("**Restructuring Support Agreement**"), pursuant to which such Bondholders agreed to support the proposed restructuring of the outstanding Senior Notes ("**Debt Restructuring**") to be implemented through schemes of arrangement under section 179A of the Business Companies Act of the British Virgin Islands (2004) and sections 673 and 674 of the Companies Ordinance (Cap. 622) (as amended) as applicable in Hong Kong.

The Debt Restructuring consisted a redemption of the outstanding Senior Notes and Interest Payments and all accrued, scheduled interest payments up to the date of the settlement at a discount, with Bondholders accepting a combination of (i) cash consideration of US$50 million minus a consent fee in a total amount equal to 2% of the outstanding principal and accrued but unpaid interest in respect of the Senior Notes as at the date of the Restructuring Support Agreement ("**Consent Fee**"), and a success fee payable to Houlihan Lokey ("**Cash Consideration**"); (ii) new ordinary shares of the Company allotted and issued to the Bondholders representing 18.75% of the total issued shares on a fully diluted basis upon completion of the Debt Restructuring ("**Scheme Shares**"); and (iii) certain contingent value rights ("**CVRs**") which would give rise to a one-off payment of US$10 million to the Bondholders upon the occurrence of a triggering event, being the Company's adjusted profit before taxation in any of the 5 years from the issue date of the CVRs exceeding US$100 million ("**Triggering Event**").

The Cash Consideration as well as the Consent Fee and the success fee of Houlihan Lokey was funded by the proceeds of a rights issue ("**Rights Issue**"). On 23 June 2016, all Scheme Conditions (as defined in the prospectus published by the Company on 31 May 2016 ("**Prospectus**")) were satisfied and the Debt Restructuring became effective. A total of 322,706,001 Scheme Shares and 243,273,777 Scheme Shares were issued to the Bondholders on 28 June 2016 and 7 October 2016, respectively.

At the Debt Restructuring effective date on 23 June 2016, the carrying value of the Senior Notes including accrued interest amounted to approximately HK$2,719,877,000. The fair value of the consideration to settle the Senior Notes was cash consideration of US$50 million (equivalent to approximately HK$388,194,000) and the fair value of 565,979,778 Scheme Shares of approximately HK$305,629,000 based on the closing price of the Company's shares of HK$0.54 per share as traded on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 23 June 2016. The excess of carrying value of the Senior Notes over the fair value of the consideration to settle the Senior Notes, amounting to approximately HK$1,948,451,000, has been recognised by the Group as a gain from Debt Restructuring and credited to profit or loss for the year ended 31 December 2016. There were no Senior Notes outstanding as at 31 December 2016.

For the year ended 31 December 2016, interest on the Senior Notes of HK$76,816,000 and expenses incurred in relation to the Debt Restructuring of HK$65,181,000 (as included in Administrative expenses) were charged to the profit or loss.

12. Contingent Value Rights

Under the Debt Restructuring, certain CVRs were issued to the Bondholders on 28 June 2016 and 7 October 2016, which would give rise to a one-off payment in the amount of US$10 million to the Bondholders upon the occurrence of the Triggering Event according to the terms and conditions of the CVRs. The maturity date of the CVRs is the date falling 5 years from the date of the issue of the CVRs (the "**CVR Maturity Date**"). The Company shall have the right to choose to use cash or CVR Shares (as defined in the Prospectus)(at the prevailing 30-day volume-weighted average price prior to the settlement date, the "**CVR Settlement Price**") to settle the CVRs on the settlement date as provided in the relevant instruments for the CVRs. In any event, the Company will be able to settle the CVRs wholly in cash should it chooses to do so and if the relevant CVR Settlement Price is lower than HK$0.69, being the subscription price of the CVRs, subject to adjustment for share consolidations, sub-divisions and so forth.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the CVR Shares to be allotted and issued in accordance with the terms of the CVRs. After approval, the CVR Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading date is required to take place in CCASS on the second trading date thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

III. Risk Factors

The operation of the Group involves certain risks, some of which are beyond our control. The risks set out below are those that E-Commodities currently believes may materially affect its performance and/or financial condition. However, this should not be taken as an exhaustive list as there may be additional risks and uncertainties not currently known to E-Commodities, or those which are currently deemed to be immaterial, but may become material in the future and which may adversely affect the Group's business, results of operations, financial condition and prospects.

1. Volatility of Coal Prices

The market price of coal is volatile and is affected by numerous factors that are beyond our control. These include international supply and demand, the level of consumer product demand, international economic trends, global or regional political events and international events, as well as a range of other market forces. Upward movements in coal market prices in the second half of 2016 have materially affected the Group's business. The combined effects of any or all of these factors on coal prices are impossible for us to predict, there can be no assurance that global and domestic coal prices will continue to remain at a profitable level, for our business failure to remain at a profitable level, would have material and adverse effect on our financial condition.

2. *Dependence Upon the Steel Industry*

Our business and prospects are heavily dependent on the demand for coking coal by steel mills and coke plants in China. The steel industry's demand for metallurgical coal is affected by a number of factors including the cyclical nature of that industry's business, technological developments in the steel-making process and the availability of substitutes for steel such as aluminum, composites and plastics. Since the end of 2015, prices of steel products increased continuously, which had a material positive effect on the Group's performance.

3. *Credit risk*

Credit risks are primarily attributable to cash at bank, trade and other receivables and over-the-counter derivative financial instruments entered into for hedging purposes. The Group has a credit policy in place and the exposure to these credit risks is monitored on an ongoing basis. Further quantitative disclosure in respect the Group's exposure to credit risks arising from trade and other receivables are set out in note 12 of the financial information.

4. *Liquidity risk*

Our policy is to regularly monitor the Group's liquidity requirements and compliance with lending covenants, to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. After the completion of the debt restructuring, the Group made great efforts to maintain existing financial facilities and expanding new facilities in banks, state-owned companies, and other financial institutions to satisfy capital requirements of the Group in line with its booming trading businesses.

5. *Interest rate risk*

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group's bank loan interest rates ranged from 2.80% to 7.84% in the year of 2016. At 31 December 2016, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated loss by approximately HK$440,952 (2015: HK$2,064,000). Other components of consolidated equity would have no change in response to the general increase/decrease in interest rates.

6. *Currency risk*

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to payables, cash balances and bank loans that are denominated in a foreign currency. The currencies giving rise to this risk are primarily United States dollars and Renminbi. Depreciation or appreciation of these foreign currencies against United States dollars and Renminbi would affect the financial position and operating result of the Group.

7. *Fair value measurement*

The Group's financial assets and liabilities are carried at fair value. Fair value of forward exchange contracts of derivative financial instruments held by the Group is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

IV. Final Dividends

A final dividend in cash of HK$0.077 per share or HK$231 million has been declared for the year ended 31 December 2016.

V. Human Resources

1. *Employee Overview*

The Group has maintained a performance-oriented compensation system that balances each individual position's internal and external value. The Group also signs formal employment contracts with all employees and participates in all required social security schemes following applicable regional and/or national laws and regulations.

As of 31 December 2016, there were 202 full-time employees in the Group (excluding 713 dispatch staff from domestic subsidiaries). Due to business growth, there was an approximately 4.66% head count increase in 2016. The breakdown of employee categories is as follows:

	FY2016		FY2015	
Functions	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Management, Administration & Finance	**123**	**61%**	107	55%
Front-line Production & Production Support & Maintenance	**21**	**10%**	26	13%
Sales & Marketing	**39**	**19%**	30	16%
Others (incl. Projects, CP, Transportation)	**19**	**10%**	30	16%
TOTAL	**202**	**100%**	193	100%

2. *Employee Education Overview*

Qualifications	FY2016 No. of Employees	FY2016 Percentage	FY2015 No. of Employees	FY2015 Percentage
Master & above	**47**	**23%**	14	7%
Bachelor	**70**	**35%**	85	44%
Diploma	**50**	**25%**	54	28%
High-School, Technical School & below	**35**	**17%**	40	21%
Total	**202**	**100%**	193	100%

3. *Training Overview*

The Group considers training as an invaluable process to provide employees with information, new skills, and professional development opportunities. As of 31 December 2016, the Company has held various training programs totaling 741 hours, and over 153 attendances participated in these programs.

The Group also holds an orientation program for newly admitted employees. The program covers modules such as, among other things introduction to corporate culture, brief of Group regulations, understanding of safety and operational guidelines.

The Group has also sponsored professional training programs such as EMBA program, Chartered Professional Accountant program, Hong Kong Chartered Secretary program, and so forth to employees and management staff and different levels.

Training Overview

Training Courses	FY2016 No. of hours	FY2016 No. of participants	FY2015 No. of hours	FY2015 No. of participants
Safety	**197**	**41**	478	125
Management & Leadership	**470**	**97**	204	28
Operation Excellence	**74**	**15**	224	9
Total	**741**	**153**	906	162

VI. Health, Safety and Environment

We place great importance on the health and safety of employees, and recognize the importance of protecting the environment. Injury frequency per million working hours (lost time injury rate LTIFR) is a key measure of how we deliver on commitments. The 2016 lost time injury rate was zero. No major environmental accidents and occupational health accidents were recorded in 2016.

SUPPLEMENTARY INFORMATION

Compliance with the Code on Corporate Governance Practices

Throughout the year ended 31 December 2016, the Company fully complied with the code provisions ("**Code Provisions**") under the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "**CG Code**").

Compliance with the Model Code for Securities Transactions by Directors of the Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all the Directors of the Company, each Director confirmed that he/she has complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

Purchase, Sale or Redemption of the Company's Listed Securities

As at 31 December 2016, the Company had a total of 3,018,558,652 shares in issue. The Company repurchased a total of 42,804,600 shares from public stock market during the year ended 31 December 2016. 18,408,000 repurchased shares were cancelled in January 2017 and the total number of shares in issue was reduced accordingly.

Review of Annual Results

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2016.

Disclosure of Information on the Hong Kong Stock Exchange's Website

This annual results announcement is published on the websites of the Company (www.e-comm.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2016 will be dispatched to shareholders of the Company and will be available on the above websites in due course.

By Order of the Board
E-Commodities Holdings Limited
Cao Xinyi
Chairman

Hong Kong, 28 March, 2017

As at the date of this announcement, the executive directors of the Company are Ms. Cao Xinyi, Mr. Wang Wengang, Ms. Zhu Hongchan, and Mr. Wang Yaxu, the non-executive director of the Company is Mr. Guo Lisheng and the independent non-executive directors of the Company are Mr. Ng Yuk Keung, Mr. Wang Wenfu and Mr. Gao Zhikai.