易大宗
e-comm.com

E-COMMODITIES HOLDINGS LIMITED
易大宗控股有限公司

(formerly known as Winsway Enterprises Holdings Limited 永暉實業控股股份有限公司)
(Incorporated in the British Virgin Islands with limited liability)
Stock Code: 1733

2017
INTERIM REPORT

Contents

Management Discussion and Analysis

I. FINANCIAL HIGHLIGHTS

In the first half of 2017, E-Commodities Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") recorded consolidated revenue of HK$10,556 million, which was mainly derived from 8.15 million tonnes of coal sales. In the corresponding period of 2016, consolidated revenue of HK$4,703 million was recorded which was mainly derived from 7.14 million tonnes of coal sales.

For the first half of 2017, the Group achieved a gross profit of HK$1,007 million compared to a gross profit of HK$267 million during the same period of last year. The profit was mainly generated by trading of coking coal products.

Overall, the Group incurred a consolidated net profit of HK$478 million during the first half of 2017 compared to an adjusted net profit of HK$115 million during the first half of 2016. The increase of net profit generated from operational activities was mainly because of improved profitability per tonne of coking coal in the first half of 2017 driven by the recovering coking coal market and better balanced relationship between demand and supply.

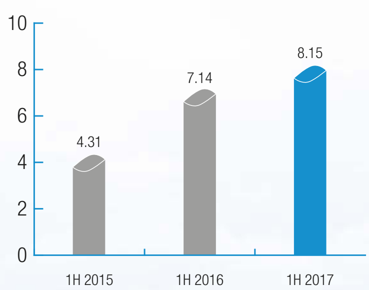
II. FINANCIAL REVIEW

a. Sales

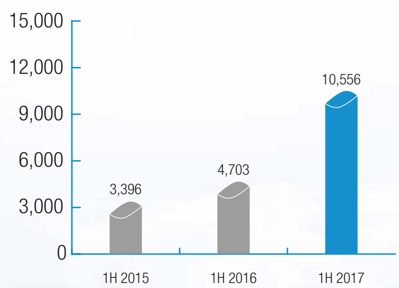
(1) Overview

In the first half of 2017, our sales revenue was HK$10,556 million, a 124.45% increase compared to HK$4,703 million in the same period of 2016. The increase is primarily attributable to continued supply-side policy reform since 2016 addressing over-capacity in production of coal which stabilized and even increased the price of coking coal and thermal coal. The structural reform in the steel industry led to price increases of steel products, which drove prices of coking coal to a relatively high level. An overall improvement in the coal market since 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.

Coal Sales Volume (millions tonnes)



Sales (in HK$ million)



Management Discussion and Analysis

(2) *Revenue*

	Six months ended 30 June	
	2017 **HK$'000**	2016 HK$'000
Coking coal	**9,507,140**	4,151,012
Thermal coal	**459,310**	2,955
Coal related products	**53,143**	763
Petrochemical products	**441,685**	410,234
Steel	**–**	82,360
Iron ore	**51,599**	10,457
Rendering of logistics services	**36,334**	42,374
Others	**6,630**	3,032
	10,555,841	4,703,187

In the first half of 2017, approximately 90.07% of sales revenue was generated from the sales of coking coal, compared to approximately 88.26% in the first half of 2016.

In the first half of 2017, the Group has continued its business strategy since 2015 to diversify its trading categories and expand its product lines from coking coal and coal related products to petrochemical products, steel, iron ore, and others.

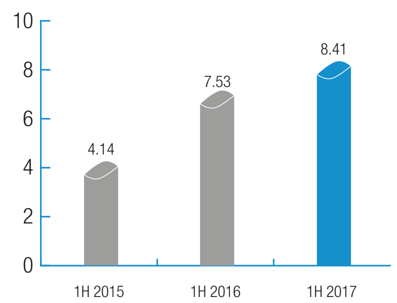
In the first half of 2017, our top 5 customers accounted for 49.98% of our total sales, whereas the same ratio was 49.10% in the first half of 2016. These customers are mainly large-scale, state-owned steel groups throughout China, being leading companies in the industry.

Management Discussion and Analysis

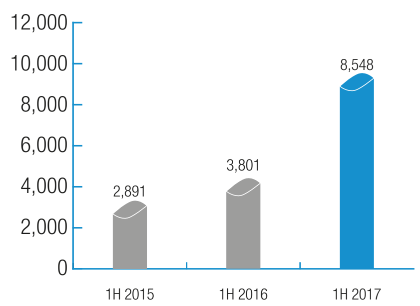
b. Cost of Goods Sold ("COGS")

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 the first half of 2017 was HK$9,549 million, which was a 115.26% increase compared to HK$4,436 million in the first half of 2016. The increase was primarily attributable to increased procurement volume of coal in the first half of 2017 of 8.41 million tonnes from 7.53 million tonnes in the first half of 2016 and sharply increased procurement price of coal starting from the second half of 2016 till the first half of 2017. Most coal of the Group was procured from other countries, of which, the majority was from Australia and Mongolia.

Coal Procurement Volume (millions tonnes)



Coal Procurement Amount (in HK$ million)



In the first half of 2017, total procurement amount of coal was HK$8,548 million, of which, the top five coal suppliers accounted for 40.72%. These suppliers are mainly internationally large-scale coking coal suppliers with sound reputation and are leading companies in the industry. None of the directors ("**Directors**"), or their affiliates, of the Company or shareholders of the Company with over 5% of the shares of the Company ("**Shares**") (5% inclusive) has any interest in any of such suppliers to the Company.

c. Gross Profit

For the first half of 2017, the Group achieved a gross profit of HK$1,007 million compared to a gross profit of HK$267 million during the same period last year. The increase of gross profit was mainly contributed by improved profitability per tonne of coking coal in the first half of 2017 driven by the recovering coking coal market and better balanced relationship between coking coal demand and supply.

d. Distribution Expenses

Distribution costs represented fees and charges incurred for coal trading and related logistics and transportation costs. Distribution costs increased from HK$59 million for the six months ended 30 June 2016 to HK$181 million for the six months ended 30 June 2017. The increase was mainly due to the recovery of the coking coal market in the PRC which resulted in sales increase of coking coal that was procured from Mongolia.

e. Administrative Expenses

Administrative expenses in the first half of 2017 increased to HK$187 million from HK$123 million in the first half of 2016. The increase was mainly due to the accrual of interim bonus of approximately HK$48 million.

Management Discussion and Analysis

f. Net Finance Costs

During the first half of 2017, net finance costs decreased to HK$72 million, compared to HK$116 million of net finance costs during the same period of 2016. The decrease was mainly contributed by the elimination of interest on US$500 million senior notes due April 2016 (the "**Senior Notes**") after the success of the restructuring of the Senior Notes (the "**Debt Restructuring**").

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Interest income	**(956)**	(10,054)
Finance income	**(956)**	(10,054)
Interest on secured bank and other loans	**20,936**	28,176
Interest on discounted bills receivable	**43,343**	9,953
Interest on Senior Notes	**–**	76,852
Total interest expense	**64,279**	114,981
Bank charges	**3,297**	79
Foreign exchange loss, net	**5,544**	4,953
Fair value change of derivative financial instruments	**–**	5,620
Finance costs	**73,120**	125,633
Net finance costs	**72,164**	115,579

g. Net Profit and Profit per Share

The Group achieved a net profit of HK$478 million in the first half of 2017, compared to an adjusted net profit of HK$115 million in the first half of 2016. If including the financial impact from the gain of HK$2,027 million from the restructuring of the Senior Notes, professional expenses incurred for the Debt Restructuring of HK$65 million as well as the interest payment in connection with the Senior Notes of HK$77 million, the net profit in the first half 2016 was HK$2,000 million.

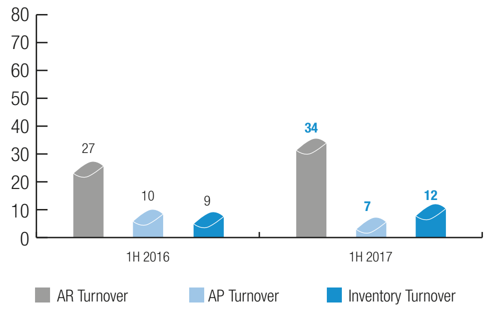
Basic and diluted earnings per share is HK$0.157 for the first half of 2017 compared to HK$2.384 for the first half of 2016.

Management Discussion and Analysis

h. Working Capital

Our accounts receivable turnover days, accounts payable turnover days and inventory turnover days for the first half of 2017 were 34 days, 7 days, and 12 days, respectively. The cash conversion days were 39 days, which was 13 days longer compared to the same period of last year.

Working Capital



i. Property, Plant and Equipment ("PP&E")

The amount of property, plant and equipment was HK$303 million at the end of June 2017, representing a 42.92% increase over the amount at 31 December 2016 (HK$212 million). The increase was mainly due to the acquisition of a coal processing factory in the PRC from a third party company at a consideration of approximately HK$78 million.

j. Intangible Assets

On 18 January 2017, the Company and Minghua Group entered into an exclusive services agreement ("**ESA**") under which Minghua Group shall provide to the Company and its subsidiaries the logistics services on an exclusive basis, including but not limited to, dispatching of coal products, weighing, loading and unloading of transport vehicles, setting the stack and loading containers. Minghua Group is a third party company who owns a logistics park in the Inner Mongolia Autonomous Region in the PRC, which is capable to carry out through-in and through-out transport of trains, and provides coal logistics services which allow customers to complete all necessary formalities in relation to railway transportation from certain border crossings on the PRC side of the China-Mongolia border to other points in the PRC. The fees for the provision of these services shall be paid by the Company in accordance with separate logistics service contracts to be entered into between the Company and Minghua Group in relation to such services. The term of the ESA is 20 years commenced from 1 January 2017.

The exclusive right fee was determined by the Company and Minghua Group taking into account the logistics services to be provided, the benefits to the Company of the exclusive right to the logistics services and the discount on the relevant service fees for the logistics services to be provided. Pursuant to the ESA, the Company paid Minghua Group the exclusive right fee through the issue of approximately 93,016,667 ordinary shares at fair value of approximately HK$105,108,000 based on the closing price of the Shares as traded on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 14 February 2017 of HK$1.13 per share.

Management Discussion and Analysis

k. 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 terms and conditions of the CVRs allow the Company 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.

On 28 March 2017, as a result of the occurrence of the Triggering Event, the Company issued a notice (the "**Notice**") to each Participating Bondholder indicating that the Company will settle the CVRs in full on the settlement date (the "**Settlement Date**"), 30 April 2017, at the face value recorded on each CVR certificate by the issue of new shares of the Company (the "**CVR Shares**").

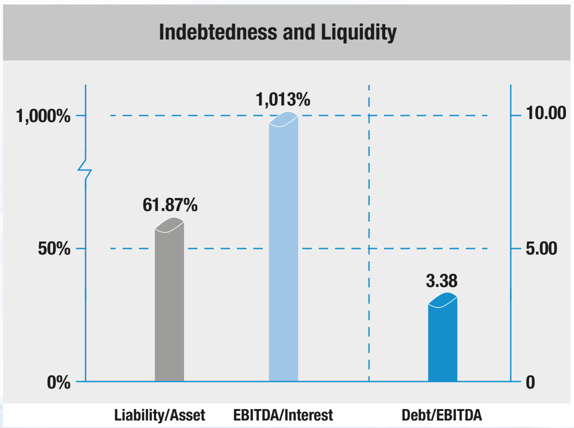
On 30 April 2017, the Company issued 64,131,037 CVR Shares and distributed them to the Participating Bondholders at the CVR Settlement Price of HK$1.2129 per CVR Share. All CVRs which were settled in full by the Company were cancelled and such CVRs may not be reissued or resold.

The Company applied to and obtained permission from the Stock Exchange for the listing of, and permission to deal in, the CVR Shares allotted and issued in accordance with the terms of the CVRs. The CVR Shares were accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 30 April 2017, the commencement date of dealings of the CVR Shares on the Stock Exchange.

The CVR Shares issued upon the settlement were fully paid and free from any encumbrance and in all respects rank pari passu with the Shares in issue on the CVR Settlement Date, 30 April 2017.

l. Indebtedness and Liquidity

As of 30 June 2017, our secured bank and other loans totaled HK$2,190 million, an increase of 188.92% from the amount at the end of 2016 (HK$758 million). The range of interest rates per annum for bank loans for the first half of 2017 varied from 1.96% to 7.84%, compared with a range from 2.80% to 7.84% during 2016. The Group's gearing ratio calculated on the basis of the Group's total liabilities divided by its total assets as of 30 June 2017 was 61.87% compared to 52.74% as of 31 December 2016.



Management Discussion and Analysis

m. Pledge of Assets

At 30 June 2017, bank loans amounting to HK$24,269,000 (31 December 2016: HK$27,035,000) were secured by bank deposits placed in banks with an aggregate carrying value of HK$24,271,000 (31 December 2016: HK$27,901,000).

At 30 June 2017, bank loans amounting to HK$1,553,036,000 (31 December 2016: HK$176,721,000) were secured by bills receivable with an aggregate carrying value of HK$1,561,423,000 (31 December 2016: HK$176,721,000).

At 30 June 2017, bank loans amounting to HK$451,515,000 (31 December 2016: HK$520,412,000) were secured by land use rights and property, plant and equipment with an aggregate carrying value of HK$366,407,000 (31 December 2016: HK$389,756,000) and credit guarantee.

At 30 June 2017, bank loans amounting to HK$34,551,000 (31 December 2016: HK$33,537,000) were secured by credit guarantee with a guarantee amount of HK$34,551,000 (31 December 2016: HK$33,537,000).

At 30 June 2017, bills payable amounting to HK$25,261,000 (31 December 2016: $nil) have been secured by bills receivable with an aggregate carrying value of HK$26,015,000 (31 December 2016: $nil).

At 30 June 2017, bills payable amounting to HK$215,944,000 (31 December 2016: HK$nil) have been secured by deposits placed in banks, land use rights and property, plant and equipment with an aggregate carrying value of HK$151,238,000 (31 December 2016: HK$nil) and credit guarantee.

n. Cash Flow

In the first half of 2017, our operating cash outflow was HK$1,122 million compared to HK$737 million cash outflow during the same period last year. The net cash outflow of operating activities was mainly due to HK $1,422 million net cash received from discounted bills receivable with recourse right and loans pledged with bills receivable, both of which have been accounted as financing activities, though the bills receivables were received from sales.

In the first half of 2017, the Group received a cash outflow from investing activities of HK$168 million compared to HK$458 million cash inflow during the first half of 2016. The cash outflow from investing activities in the first half of 2017 was generated mainly from the payment for purchase of PP&E and intangible assets and increase in restricted bank deposits as collateral for the banking facilities in respect of Group borrowings, issuance of bills and letters of credit by the Group.

The Group had a cash inflow from financing activities of HK$1,142 million during the first half of 2017 compared to a HK$196 million cash inflow from financing activities during the first half of 2016. The difference is mainly due to an increase of net proceeds from bank and other loans. Among the proceeds from bank and other loans the Group received from financing activities during the first half of 2017, HK$1,422 million was net cash received from discounted bills receivable with recourse right and loans pledged with bills receivable.

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.

Management Discussion and Analysis

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 since 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, and there can be no assurance that global and domestic coal prices will continue to remain at a profitable level. Failure of our business 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.

4. Exposure to Exchange Rate Fluctuations

Approximately 68% of the Group's turnover in the first half of 2017 were denominated in United States Dollars ("**US dollars**") and the remaining 32% in RMB. The Group's cost of coal purchased, accounting for over 85% of the total cost of sales in the first half of 2017, and some of our operating expenses were denominated in US dollars. Fluctuations in exchange rates may adversely affect the value of the Group's net assets, earnings or any declared dividends as RMB is translated or converted into US dollars or Hong Kong dollars. Any unfavourable movement in exchange rates may lead to an increase in the costs of the Group or a decline in sales, which could materially affect the Group's results of operations.

IV. HUMAN RESOURCES

Employee Overview

The Group aims to set up a performance-oriented compensation and benefit system while balancing the internal and external market in each different job position. Strictly following the PRC Labor Law and Labor Contract Law, the Group signed formal employment contracts with all employees and pays all mandatory social insurances to the full amount. In Hong Kong, the Group participated in a mandatory provident fund scheme for our employees in accordance with applicable Hong Kong laws and regulations.

Management Discussion and Analysis

As of 30 June 2017, the Group had 195 full-time employees (excluding 720 outsourced laborers in the PRC subsidiaries). Detailed figures by category of employees are as follows:

Functions	No. of Employee	Percentage
Middle and senior management	38	19.5%
Front-line production & production support & maintenance	36	18.5%
Sales & marketing	39	20%
Administrative, finance, human resources and operations, etc.	82	42%
Total	195	100%

Employee Education Overview

Qualifications	No. of Employee	Percentage
Master & above	44	22.6%
Bachelor	66	33.8%
Diploma	44	22.6%
Middle-school (secondary school) & below	41	21%
Total	195	100%

Training Overview

Training is key to the Company to improve the employees' working capabilities and management skills. For the six months ended 30 June 2017, the Company held various internal and external training programs amounting to 403 training hours in total, and 84 employees participated in these programs.

Training Overview

Training Courses	No. of hours	No. of participants
Safety	52	25
Management and leadership	351	59
Total	403	84

V. HEALTH, SAFETY AND ENVIRONMENT

The Company complies with relevant laws and regulations to protect employees from occupational hazards and understands the importance of environmental protection. For the six months ended 30 June 2017, neither occupational health and safety accidents nor environmental accidents have occurred.

In the second half of 2016, some idled plants have been rebooted and others' productivity increased. In view of this, the Company strengthened the investment in safety management and established a safety inspection and management mechanism in Mongolia Business Department. A top-down inspection was conducted focusing on the improvement of safety consciousness and the elimination of safety hidden trouble regarding the safety control of coal washing plants.

Management Discussion and Analysis

The key works of the Company on the health and safety of employees in the first half of 2017 were mainly on safety education training, safety activities, strengthening emergency drills, clarifying safety responsibility and system improvement, carrying out the safety self-check and safety inspection in the Group companies, establishing safety inspection norms, stepping up efforts in identifying potential dangers and inspection on the effect of rectification, effectively conducting chemicals management and special operation safety management.

VI. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company repurchased a total of 18,408,000 Shares through on-market repurchases during December 2016 and such repurchased Shares were cancelled in January 2017.

VII. INTERIM DIVIDEND

An interim dividend in cash of HK$0.038 per share has been declared for the six months ended 30 June 2017.

VIII. SIGNIFICANT EVENTS AFFECTING THE GROUP AFTER 30 JUNE 2017

On 1 June 2017, the Company and the subsidiary guarantors entered into the subscription agreement ("**Subscription Agreement**") with Lord Central Opportunity VII Limited as subscriber ("**Subscriber**") pursuant to which the Subscriber agreed to subscribe for the unlisted bonds in an aggregate principal amount of US$40 million, and the 118,060,606 unlisted warrants on the terms and subject to the conditions set out therein. The bonds are convertible into Shares at the initial conversion price of HK$0.90 per conversion share (subject to adjustments) and the warrants carry subscription rights entitling its holders to subscribe for warrant shares at the initial warrant subscription price of HK$0.99 per warrant share (subject to adjustments).

The conversion shares to be issued upon the exercise of the conversion rights attached to the bonds and the warrant shares to be issued upon exercise of the warrant subscription rights attached to the warrants will be issued and allotted pursuant to the specific mandate obtained from the shareholders of the Company at the extraordinary general meeting held on 24 July 2017.

Completion of the subscription of the bonds and warrants is subject to the satisfaction and/or waiver of certain Conditions Precedent (as defined in the Subscription Agreement).

The Longstop Date as defined in the Subscription Agreement has been extended to 31 October 2017 (or such other date as the Company and the Subscriber may agree in writing) in order to provide more time for certain Conditions Precedent to be satisfied including an amendment to the Company's memorandum of association ("**Memorandum of Association**") as more specifically set out in the Company's announcement dated 14 August 2017.

The Memorandum of Association was amended by deleting clause 7.4 of the Memorandum of Association in its entirety. Such amendment to the Memorandum of Association was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 6 September 2017 and will be effective upon the filing of the amended Memorandum of Association at the BVI Registry of Corporate Affairs.

For further information of the Subscription Agreement, please refer to the Company's announcements dated 2 June 2017 and 14 August 2017, circulars dated 6 July 2017 and 15 August 2017, and the poll results announcements dated 24 July 2017 and 6 September 2017.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	Name of Corporations	Nature of Interest	Aggregate number of Shares or underlying Shares	Approximate percentage of interest in the corporation(1)
Cao Xinyi	The Company	Personal interest	1,476,978(2)	0.05%
Wang Wengang	The Company	Personal interest	1,545,448(3)	0.05%
Zhu Hongchan	The Company	Personal interest	1,476,978(2)	0.05%
Wang Yaxu	The Company	Personal interest	1,107,741(2)	0.04%

Note:

(1) The percentage shareholding of the Company is calculated on the basis of 3,157,298,356 Shares in issue as at the latest practicable date prior to the printing of this interim report.

(2) The Shares were vested on 20 July 2017 to Ms. Cao Xinyi, Ms. Zhu Hongchan, and Mr. Wang Yaxu from the restricted share unit scheme, which were granted to them on 19 January 2017.

(3) 1,476,978 Shares were vested from the restricted share unit scheme and 68,470 Shares were purchased by Mr. Wang Wengang from the open market before he joined the Company and was appointed as Chief Executive Officer.

Save as disclosed above, as at 30 June 2017, so far as is known to any Director or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Other Information

SHARE-BASED INCENTIVE PLANS

Restricted Share Unit Scheme

Under the restricted share unit scheme ("**RSU Scheme**") adopted by the Company on 11 June 2012, the Company may grant restricted share unit awards ("**RSU Awards**") to directors (including executive directors, non-executive directors and independent non-executive directors), officers and full-time employees of the Company or any of its subsidiaries. An RSU Award gives a participant in the RSU Scheme a conditional right when the RSU Award vests to obtain either Shares (existing Shares in issue or new Shares to be issued by the Company) or an equivalent value in cash with reference to the value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion. The Board may determine the vesting criteria, conditions and the time when the RSU Awards will vest.

The purposes of the RSU Scheme are to retain and motivate its participants to make contributions to the long-term growth and profits of the Company with a view to achieving the objective of increasing the value of the Group and to promote a greater alignment of interests between the participants and the shareholders of the Company. The Board will select participants to receive RSU Awards under the RSU Scheme at its discretion.

On 19 January 2017, the first batch of 7,385,000 RSUs were granted by the Company, in which, 5,538,675 RSUs were granted to Directors as a part of the remuneration package of the service contract of such Directors. On 20 July 2017, the second batch of 25,101,488 RSUs were granted by the Company, in which, 22,591,339 RSUs were granted to Directors as a part of the remuneration package of the service contract of such Directors. On the same date, all RSUs granted on 19 January 2017 were vested into ordinary Shares in full on 20 July 2017. The details of RSUs granted to the Directors are set out below:

	RSUs granted as at 1 January 2017	RSUs granted as at 19 January 2017	RSUs granted as at 20 July 2017	RSUs vested to Shares during the period	RSUs lapsed/ cancelled during the period	RSUs held as at 20 July 2017
Cao Xinyi	0	1,476,978	2,008,119	1,476,978	0	2,008,119
Wang Wengang	0	1,476,978	2,008,119	1,476,978	0	2,008,119
Zhu Hongchan	0	1,476,978	17,069,012	1,476,978	0	17,069,012
Wang Yaxu	0	1,107,741	1,506,089	1,107,741	0	1,506,089
Others	0	1,846,325	4,016,238	1,846,325	0	4,016,238
Total	0	7,385,000	25,101,488	7,385,000	0	25,101,488

Other Information

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2017, shareholders of the Company who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Name of Corporation	Nature of Interest	Aggregate number of Shares[(1)]	Approximate percentage of interest in the corporation[(8)]
Wang Yihan[(2)]	The Company	Interest of corporation controlled by the substantial shareholder	1,500,080,608 (L)	47.51%
Famous Speech Limited	The Company	Beneficial Owner	1,500,080,608 (L)	47.51%
Wang Xingchun[(3)(4)]	The Company	Interest of corporation controlled by the substantial shareholder	75,912,505 (L)	
		Interest of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under section 317 of the SFO	1,500,080,608 (L)	
		Total	1,575,993,113 (L)	49.92%
Winsway Group Holdings Limited[(3)(5)]	The Company	Interest of corporation controlled by the substantial shareholder	75,912,505 (L)	
		Interest of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under section 317 of the SFO	1,500,080,608 (L)	
		Total	1,575,993,113 (L)	49.92%

Other Information

Name of Shareholder	Name of Corporation	Nature of Interest	Aggregate number of Shares[1]	Approximate percentage of interest in the corporation[9]
China Minmetals Corporation[6]	The Company	Interest of corporation controlled by the substantial shareholder	1,503,195,952 (L)	47.61%
Evergrowing Bank Yantai Shangkuang West Road Sub-Branch[7]	The Company	Person having a security interest in shares	1,500,080,608 (L)	47.51%
Magnificent Gardenia Limited[6]	The Company	Interest of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under section 317 of the SFO	1,500,080,608 (L)	47.51%
Lord Central Opportunity VII Limited	The Company	Beneficial Owner	463,838,383(L)[8]	14.69%
Pacific Alliance Asia Opportunity Fund L.P.	The Company	Interest of corporation controlled by the substantial shareholder	463,838,383(L)[8]	14.69%
Pacific Alliance Group Asset Management Limited	The Company	Interest of corporation controlled by the substantial shareholder	463,838,383(L)[8]	14.69%
Pacific Alliance Investment Management Limited	The Company	Interest of corporation controlled by the substantial shareholder	463,838,383(L)[8]	14.69%
Pacific Alliance Group Limited	The Company	Interest of corporation controlled by the substantial shareholder	463,838,383(L)[8]	14.69%
PAG Holdings Limited	The Company	Interest of corporation controlled by the substantial shareholder	463,838,383(L)[8]	14.69%

Other Information

Notes:

1. The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.

2. Ms. Wang Yihan directly controls Famous Speech Limited ("**Famous Speech**") and is deemed to be interested in the 1,500,080,608 Shares held by Famous Speech.

3. Mr. Wang Xingchun, Winsway Group Holdings Limited ("**Winsway Group Holdings**"), Winsway Resources Holdings Limited ("**Winsway Resources Holdings**"), Great Start Development Ltd. ("**Great Start**"), Winsway International Petroleum & Chemicals Limited ("**Winsway International Petroleum & Chemicals**", together with Mr. Wang Xingchun, Winsway Group Holdings, Winsway Resources Holdings and Great Start, the "**Mr. Wang's Group**") and Famous Speech have entered into an agreement which is covered by s.317 and s.318 of SFO and each of Mr. Wang's Group is deemed to be interested in the 1,500,080,608 Shares held by Famous Speech by virtue of s.317 of the SFO.

4. Mr. Wang Xingchun indirectly holds the entire issued share capital of Winsway International Petroleum & Chemicals and Winsway Resources Holdings and is deemed to be interested in the 10,405,321 Shares and 65,507,184 Shares held by Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively.

5. Winsway Group Holdings indirectly holds, through Great Start the entire issued share capital of Winsway International Petroleum & Chemicals and directly holds the entire issued share capital of Winsway Resources Holdings and is deemed to be interested in the 10,405,321 Shares and 65,507,184 Shares held by Winsway International Petroleum & Chemicals and Winsway Resources Holdings, respectively. Mr. Wang Xingchun is the sole director of Winsway Group Holdings.

6. China Minmetals Corporation ("**China Minmetals**") was deemed to be interested in 1,503,195,952 Shares. 3,115,344 of such Shares were held by certain other companies that were controlled directly or indirectly by China Minmetals, and China Minmetals was deemed to be interested in another 1,500,080,608 Shares because Magnificent Gardenia Limited, a corporation controlled by it, entered into an agreement which is covered by s.317 and s.318 and is deemed to be interested in the 1,500,080,608 Shares held by Famous Speech by virtue of s.317 of the SFO.

7. Pursuant to a share pledge agreement dated 15 June 2016 entered into between Famous Speech and Evergrowing Bank Yantai Shangkuang West Road Sub-branch ("**Evergrowing Bank**"), Famous Speech agreed to pledge all the Shares it acquired or to be acquired in favour of Evergrowing Bank as security for a term loan to be provided by an offshore bank to Famous Speech for the purpose of underwriting the Rights Issue. On 14 July 2017, Shares pledged in Evergrowing Bank was reduced to 856,458,256 for loan repayment under relevant facility letter.

8. Pursuant to a subscription agreement between, among others, the Company and Lord Central Opportunity VII Limited dated 1 June 2017, assuming the conversion rights attaching to the convertible bonds are exercised in full at the initial conversion price of HK$0.90 per conversion share, and the rights attaching to the warrants are exercised in full at the initial subscription price of HK$0.99 per warrant share, 463,838,383 shares of the Company will fall to be issued to Lord Central Opportunity VII Limited. Lord Central Opportunity VII Limited is owned by Pacific Alliance Asia Opportunity Fund L.P. as to 90%. Pacific Alliance Group Asset Management Limited is the general partner of Pacific Asia Opportunity Fund L.P.. The entire issued share capital of Pacific Alliance Group Asset Management Limited is owned by Pacific Alliance Investment Management Limited. Pacific Alliance Investment Management Limited is owned by Pacific Alliance Group Limited as to 90%, which in turn is owned by PAG Holdings Limited as to 99.17%.

9. The percentage shareholding of the Company is calculated on the basis of 3,157,298,356 Shares in issue, as at 30 June 2017, as the denominator and the number of Shares that each substantial shareholder is interested in as the numerator.

Save as disclosed above, as of 30 June 2017, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions representing 5% or more of the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company repurchased a total of 18,408,000 Shares through on-market repurchases during December 2016 and such repurchased Shares were cancelled in January 2017.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

During the six months ended 30 June 2017, the audit committee held 1 meeting. The members of audit committee have reviewed and discussed with the external auditors the Group's unaudited financial statements for the six months ended 30 June 2017, and are of the opinion that such statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure has been made. The above meeting was attended by all three members of the audit committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee in accordance with the requirements of the CG Code. The primary duties of the remuneration committee are to review and formulate remuneration policies for the Directors and senior management, to make recommendations on the remuneration package of the Directors and senior management and to evaluate and make recommendations on employee benefit arrangement.

The remuneration committee held 1 meeting during the six months ended 30 June 2017, at which the members of the committee reviewed the remuneration of the Directors and senior management with reference to their duties, responsibilities, experience, qualifications and performance. No Director took part in any discussion about his own remuneration. The meeting was attended by all three members of the remuneration committee.

CORPORATE GOVERNANCE CODE

The Company is strongly committed to maintaining high standards of corporate governance, which it regards as a vital element in ensuring its continued success. This commitment is best illustrated by its compliance with the Code Provisions and many of the Recommended Best Practices set out in the CG Code.

Other Information

Code Provisions

The Company fully complied with all the Code Provisions throughout the six months ended 30 June 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted 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, each Director confirmed that he/she has complied with the required standard set out in the Model Code throughout the first half of 2017.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the six months ended 30 June 2017 and up to the latest practicable date prior to the printing of this report, the Company has maintained the amount of public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

BOARD OF DIRECTORS

The Directors during the period were:

Executive Directors:
Ms. Cao Xinyi
Mr. Wang Wengang
Ms. Zhu Hongchan
Mr. Wang Yaxu

Non-executive Director:
Mr. Guo Lisheng

Independent Non-executive Directors:
Mr. Ng Yuk Keung
Mr. Wang Wenfu
Mr. Gao Zhikai

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2017 $'000**	2016 $'000
Revenue	4	**10,555,841**	4,703,187
Cost of sales		**(9,549,060)**	(4,436,179)
Gross profit		**1,006,781**	267,008
Other revenue	5	**1,171**	12,874
Distribution costs	6(c)	**(181,283)**	(59,253)
Administrative expenses		**(186,794)**	(123,489)
Other operating expenses, net		**(33,358)**	(7,734)
Reversal of impairment of non-current assets	6(d)	**15,138**	–
Profit from operating activities		**621,655**	89,406
Finance income	6(a)	**956**	10,054
Finance costs	6(a)	**(73,120)**	(125,633)
Net finance costs		**(72,164)**	(115,579)
Gain on debt restructuring	19	**–**	2,027,191
Share of profit of an associate		**1,326**	744
Profit before taxation		**550,817**	2,001,762
Income tax	7	**(72,922)**	(1,906)
Profit for the period		**477,895**	1,999,856
Attributable to:			
Equity shareholders of the Company		**481,022**	2,001,925
Non-controlling interests		**(3,127)**	(2,069)
Profit for the period		**477,895**	1,999,856
Earnings per share			
– Basic and diluted (HK$)	8	**0.157**	2.384

The notes on pages 26 to 54 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 21(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Profit for the period	**477,895**	1,999,856
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**62,152**	(27,996)
Total comprehensive income for the period	**540,047**	1,971,860
Attributable to:		
Equity shareholders of the Company	**542,851**	1,974,024
Non-controlling interests	**(2,804)**	(2,164)
Total comprehensive income for the period	**540,047**	1,971,860

The notes on pages 26 to 54 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 June 2017 $'000	At 31 December 2016 $'000
Non-current assets			
Property, plant and equipment, net	9	**302,693**	212,210
Construction in progress		**3,108**	890
Lease prepayments		**497,885**	462,380
Intangible assets	10	**106,763**	4,354
Interest in an associate		**17,979**	16,142
Other investments in equity securities	11	**120,675**	117,134
Other non-current assets	12	**–**	–
Total non-current assets		**1,049,103**	813,110
Current assets			
Inventories	13	**721,415**	583,006
Trade and other receivables	14	**3,374,455**	1,609,483
Restricted bank deposits	15	**152,241**	63,889
Cash and cash equivalents	16	**409,628**	534,395
Total current assets		**4,657,739**	2,790,773
Current liabilities			
Secured bank and other loans	18	**2,086,347**	724,168
Trade and other payables	17	**1,021,042**	873,000
Obligations under finance leases		**3,242**	2,625
Income tax payable		**177,007**	128,972
Total current liabilities		**3,287,638**	1,728,765
Net current assets		**1,370,101**	1,062,008
Total assets less current liabilities		**2,419,204**	1,875,118
Non-current liabilities			
Secured bank and other loans	18	**103,653**	33,537
Deferred income	20	**134,939**	132,301
Obligations under finance leases		**4,326**	6,011
Total non-current liabilities		**242,918**	171,849
NET ASSETS		**2,176,286**	1,703,269
CAPITAL AND RESERVES			
Share capital	21(b)	**5,849,015**	5,681,512
Reserves		**(3,535,946)**	(3,844,264)
Total equity attributable to equity shareholders of the Company		**2,313,069**	1,837,248
Non-controlling interests		**(136,783)**	(133,979)
TOTAL EQUITY		**2,176,286**	1,703,269

The notes on pages 26 to 54 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

	Share capital $'000 (note 21(b))	Statutory reserve $'000	Employee share trusts $'000	Scheme shares reserve $'000	Other reserve $'000	Exchange reserve $'000	Treasury shares $'000	Accumulated loss $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2016	4,992,337	185,833	(3,000)	–	(13,781)	75,810	–	(6,828,000)	(1,590,801)	(132,367)	(1,723,168)
Shares issued under rights issue	390,526	–	–	–	–	–	–	–	390,526	–	390,526
Transaction costs attributable to issue of shares under rights issue	(6,980)	–	–	–	–	–	–	–	(6,980)	–	(6,980)
Recognition of fair value in respect of scheme shares arising from debt restructuring	–	–	–	305,629	–	–	–	–	305,629	–	305,629
Scheme shares issued under debt restructuring	174,261	–	–	(174,261)	–	–	–	–	–	–	–
Equity settled share-based transactions	–	–	–	–	730	–	–	–	730	–	730
Expiry of share options granted under share option scheme	–	–	–	–	(8,949)	–	–	8,949	–	–	–
Total comprehensive income for the period	–	–	–	–	–	(27,901)	–	2,001,925	1,974,024	(2,164)	1,971,860
Appropriation to statutory reserve	–	34	–	–	–	–	–	(34)	–	–	–
Contribution to employee share trusts	–	–	(640)	–	–	–	–	–	(640)	–	(640)
Disposal of subsidiaries	–	(301)	–	–	–	–	–	–	(301)	–	(301)
Balance at 30 June 2016 and 1 July 2016	5,550,144	185,566	(3,640)	131,368	(22,000)	47,909	–	(4,817,160)	1,072,187	(134,531)	937,656
Scheme shares issued under debt restructuring	131,368	–	–	(131,368)	–	–	–	–	–	–	–
Purchase of own shares	–	–	–	–	–	–	(15,390)	–	(15,390)	–	(15,390)
Expiry of share options granted under share option scheme	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	(73,482)	–	871,680	798,198	552	798,750
Appropriation to statutory reserve	–	21,259	–	–	–	–	–	(21,259)	–	–	
Contribution to employee share trusts	–	–	(17,747)	–	–	–	–	–	(17,747)	–	(17,747)
Balance at 31 December 2016	5,681,512	206,825	(21,387)	–	(22,000)	(25,573)	(15,390)	(3,966,739)	1,837,248	(133,979)	1,703,269

The notes on pages 26 to 54 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

	Share capital $'000 (note 21(b))	Statutory reserve $'000	Employee share trusts $'000	Scheme shares reserve $'000	Other reserve $'000	Exchange reserve $'000	Treasury shares $'000	Accumulated loss $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2017	**5,681,512**	**206,825**	**(21,387)**	**–**	**(22,000)**	**(25,573)**	**(15,390)**	**(3,966,739)**	**1,837,248**	**(133,979)**	**1,703,269**
Purchase of own shares (note 21(b)(i))	(15,390)	–	–	–	–	–	15,390	–	–	–	–
Shares issued for exclusive services agreement (note 10)	105,108	–	–	–	–	–	–	–	105,108	–	105,108
Shares issued for settlement of contingent value rights (note 21(b)(ii))	77,785	–	–	–	–	–	–	–	77,785	–	77,785
Contribution to employee share trusts	–	–	(18,492)	–	–	–	–	–	(18,492)	–	(18,492)
Grant of restricted share units to employees (note 21(b)(v))	–	–	6,952	–	854	–	–	–	7,806	–	7,806
Total comprehensive income for the period	–	–	–	–	–	61,829	–	481,022	542,851	(2,804)	540,047
Appropriation to statutory reserve	–	101	–	–	–	–	–	(101)	–	–	–
Dividends declared (note 21(a)(ii))	–	–	3,260	–	–	–	–	(242,497)	(239,237)	–	(239,237)
Balance at 30 June 2017	**5,849,015**	**206,926**	**(29,667)**	**–**	**(21,146)**	**36,256**	**–**	**(3,728,315)**	**2,313,069**	**(136,783)**	**2,176,286**

The notes on pages 26 to 54 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2017 $'000	2016 $'000
Operating activities			
Profit before taxation		**550,817**	2,001,762
Net change in inventories, trade and other receivables and trade and other payables		**(1,717,616)**	(787,120)
Gain on debt restructuring	19	**–**	(2,027,191)
Reversal of impairment losses on trade and other receivables		**(9,202)**	(58,043)
Reversal of impairment losses on other non-current assets		**(15,138)**	–
Other adjustments		**112,493**	133,633
Income tax (paid)/refund		**(43,531)**	219
Net cash used in operating activities		**(1,122,177)**	(736,740)
Investing activities			
Payment for purchase of property, plant and equipment, construction in progress, lease prepayments and intangible assets		**(110,927)**	(3,184)
Repayment of loan from a third party	12	**15,138**	–
(Increase)/decrease in restricted bank deposits		**(88,352)**	399,570
Other cash flows arising from investing activities		**16,154**	61,983
Net cash (used in)/generated from investing activities		**(167,987)**	458,369
Financing activities			
Proceeds from bank and other loans		**2,314,480**	654,144
Repayment of bank and other loans		**(850,569)**	(406,192)
Interests paid		**(69,829)**	(46,235)
Dividends paid to equity shareholders of the Company		**(233,627)**	–
Contribution to employee share trusts		**(18,492)**	–
Payment for debt restructuring	19	**–**	(388,194)
Proceeds from issue of new shares under rights issue		**–**	390,526
Payment of issuing expenses under rights issue		**–**	(6,980)
Other cash flows arising from financing activities		**–**	(640)
Net cash generated from financing activities		**1,141,963**	196,429
Net decrease in cash and cash equivalents		**(148,201)**	(81,942)
Cash and cash equivalents at 1 January	16	**534,395**	259,574
Effect of foreign exchange rate changes		**23,434**	(2,777)
Cash and cash equivalents at 30 June	16	**409,628**	174,855

The notes on pages 26 to 54 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

Significant non-cash transactions:

During the six months ended 30 June 2017, the Group and Minghua Energy Group Co., Ltd. ("Minghua Group") has entered into an agreement under which the Group has been granted by Minghua Group the exclusive right to the use of the logistics services in its logistic park in the Inner-Mongolia Autonomous Region (see note 10). Pursuant to the agreement, the Company paid Minghua Group the exclusive right fee which was satisfied by the issue of 93,016,667 ordinary shares of the Company.

During the six months ended 30 June 2017, as a result of the occurrence of the triggering event of the contingent value rights ("CVRs") (see note 19), the Company has settled the CVRs in full at the face value recorded on each CVR certificate through the issue of 64,131,037 ordinary shares.

During the six months ended 30 June 2016, the Group has completed the debt restructuring of senior notes for which the outstanding senior notes including accrued interest amounted to approximately $2,721,014,000 was settled by cash consideration of approximately $388,194,000, an issue of 565,979,778 scheme shares and certain contingent value rights (see note 19).

The notes on pages 26 to 54 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(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 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 the rendering of logistics services.

2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the IASB.

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 six months ended 30 June 2017 and management's expectations of developments in the coking coal market. In preparing the cash flow projections, management assumed that the recovery in the coking coal market since 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 this interim financial report 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

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

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

4 REVENUE AND SEGMENT REPORTING

(i) 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:

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Coking coal	**9,507,140**	4,151,012
Thermal coal	**459,310**	2,955
Coal related products	**53,143**	763
Petrochemical products	**441,685**	410,234
Steel	**–**	82,360
Iron ore	**51,599**	10,457
Rendering of logistics services	**36,334**	42,374
Others	**6,630**	3,032
	10,555,841	4,703,187

For the six months ended 30 June 2017, among the Group's revenue from the trading of coking coal and other products, $3,958,418,000 (six months ended 30 June 2016: $3,113,927,000) was traded under framework contracts signed with certain third party companies pursuant to which those third party companies act as agents of the Group to sign sale 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 customers and suppliers, respectively.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(ii) 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 two 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.

- 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").

(a) *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 and other 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 is "adjusted EBITDA" i.e. "adjusted earnings 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 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(ii) Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

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 six months ended 30 June 2017 is set out below.

	Processing and trading of coking coal and other products		**Logistics services**		**Total**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
For the six months ended 30 June						
Revenue from external customers	**10,519,507**	4,660,813	**36,334**	42,374	**10,555,841**	4,703,187
Inter-segment revenue	**–**	–	**12,358**	1,340	**12,358**	1,340
Reportable segment revenue	**10,519,507**	4,660,813	**48,692**	43,714	**10,568,199**	4,704,527
Reportable segment profit (adjusted EBITDA)	**615,854**	48,808	**3,358**	1,382	**619,212**	50,190
Interest income	**908**	10,010	**48**	44	**956**	10,054
Interest expense	**(64,147)**	(110,956)	**(132)**	(4,025)	**(64,279)**	(114,981)
Depreciation and amortisation	**(20,652)**	(17,655)	**(1,245)**	(1,172)	**(21,897)**	(18,827)
Reversal of impairment of non-current assets	**15,138**	–	**–**	–	**15,138**	–
Reversal of provision/(provision) for impairment losses on trade and other receivables	**9,202**	60,656	**–**	(2,613)	**9,202**	58,043
Shares of profit of an associate	**–**	–	**1,326**	744	**1,326**	744
Additions to non-current segment assets during the period	**226,616**	2,455	**236**	162	**226,852**	2,617
As at 30 June/31 December						
Reportable segment assets	**5,950,953**	3,939,153	**111,659**	111,706	**6,062,612**	4,050,859
Reportable segment liabilities	**3,257,360**	1,768,723	**469,938**	466,037	**3,727,298**	2,234,760

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(ii) Segment reporting (Continued)

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

For the six months ended 30 June

	2017 $'000	2016 $'000
Revenue		
Reportable segment revenue	**10,568,199**	4,704,527
Elimination of inter-segment transactions	**(12,358)**	(1,340)
Consolidated revenue	**10,555,841**	4,703,187
Profit		
Reportable segment profit	**619,212**	50,190
Depreciation and amortisation	**(21,897)**	(18,827)
Reversal of impairment of non-current assets	**15,138**	–
Reversal of provision for impairment losses on trade and other receivables	**9,202**	58,043
Share of profit of an associate	**1,326**	744
Gain on debt restructuring	**–**	2,027,191
Net finance costs	**(72,164)**	(115,579)
Consolidated profit before taxation	**550,817**	2,001,762

	At 30 June 2017 $'000	At 31 December 2016 $'000
Assets		
Reportable segment assets	**6,062,612**	4,050,859
Interest in an associate	**17,979**	16,142
Elimination of inter-segment receivables	**(373,749)**	(463,118)
Consolidated total assets	**5,706,842**	3,603,883
Liabilities		
Reportable segment liabilities	**3,727,298**	2,234,760
Income tax payable	**177,007**	128,972
Elimination of inter-segment payables	**(373,749)**	(463,118)
Consolidated total liabilities	**3,530,556**	1,900,614

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

5 OTHER REVENUE

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Government grants	**1,171**	12,687
Others	**–**	187
	1,171	12,874

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after (crediting)/charging:

(a) Net finance cost

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Interest income	**(956)**	(10,054)
Finance income	**(956)**	(10,054)
Interest on secured bank and other loans#	**20,936**	28,176
Interest on discounted bills receivable	**43,343**	9,953
Interest on senior notes	**–**	76,852
Total interest expense	**64,279**	114,981
Bank charges	**3,297**	79
Foreign exchange loss, net	**5,544**	4,953
Fair value change of derivative financial instruments	**–**	5,620
Finance costs	**73,120**	125,633
Net finance costs	**72,164**	115,579

For the six months ended 30 June 2017, interest on secured bank and other loans included interest expenses incurred of $4,380,000 (six months ended 30 June 2016: $3,428,000) which were in relation to the Group's borrowings with a third party company in form of sale and buyback arrangements (see note 18(a)).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

6 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Salaries, wages, bonus and other benefits	**120,211**	56,845
Contributions to defined contribution retirement plan	**2,431**	2,919
Long-term incentive program granted (note 21(b)(v))	**7,806**	–
Equity settled share-based payment expenses	**–**	730
	130,448	60,494

(c) Distribution costs

Distribution costs represented fees and charges incurred for coal trading and related logistics and transportation costs.

(d) Other items

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Amortisation#		
– leased assets	**5,467**	5,045
– intangible assets	**2,973**	365
Depreciation#	**13,457**	13,417
Reversal provision of impairment losses on		
– trade receivables (note 14(b))	**(9,202)**	(29,627)
– other receivables (note 14(d))	**–**	(28,416)
Reversal of impairment of non-current assets		
– loan to a third party (note 12)	**(15,138)**	–
Operating lease charges, mainly relating to buildings	**2,877**	3,002
Cost of inventories	**9,521,900**	4,398,124

Cost of inventories included $21,882,000 (six months ended 30 June 2016: $3,527,000) and $13,750,000 (six months ended 30 June 2016: $4,285,000) for the six months ended 30 June 2017 relating to staff costs, depreciation and amortisation which amount was also included in the respective total amount disclosed separately above or in note 6(b) for each type of these expenses.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	**1,168**	991
Current tax – Outside of Hong Kong		
Provision for the period	**73,440**	574
(Over)/under-provision in respect of prior years	**(1,686)**	341
	72,922	1,906

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the period.

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% (2016: 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the profit attributable to equity shareholders of the Company of $481,022,000 (six months ended 30 June 2016: $2,001,925,000) and the weighted average number of ordinary shares of 3,057,385,000 (six months ended 30 June 2016: 839,893,000 shares) in issue during the six months ended 30 June 2017, calculated as follows:

Weighted average number of ordinary shares (basic):

	Six months ended 30 June	
	2017	2016
	'000	'000
Issued ordinary shares at 1 January	**3,018,559**	3,773,199
Effect of purchase of own shares (note 21(b)(i))	**(18,408)**	–
Effect of shares issued for exclusive service agreement (note 10)	**70,405**	–
Effect of shares issued for settlement of CVRs (note 19)	**21,968**	–
Effect of shares held by the employee share trusts*	**(35,139)**	(635)
Share consolidation	**–**	(3,584,539)
Effect of shares issued under rights issue (including issuance of anti-dilution shares)	**–**	199,026
Effect of bonus element on shares issued under rights issue	**–**	427,964
Effect of scheme shares issued under debt restructuring	**–**	24,878
Weighted average number of ordinary shares (basic) as at 30 June	**3,057,385**	839,893

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

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017 and 2016.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with the amount of $92,286,000 (six months ended 30 June 2016: $2,617,000), which included a coal processing factory in the PRC as acquired from a third party company at a consideration of $77,843,000. On the other hand, items of property, plant and equipment with a net book value of $1,554,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: $13,201,000), resulting in a loss on disposal of $464,000 (six months ended 30 June 2016: gain on disposal of $3,048,000).

(b) As at 30 June 2017, property ownership certificates of certain properties of the Group with an aggregate net book value of $362,000 (31 December 2016: $374,000) are yet to be obtained.

(c) As at 30 June 2017, property, plant and equipment of the Group of $103,933,000 (31 December 2016: $113,035,000) have been pledged as collateral for the Group's borrowings and bills payable (see note 17).

10 INTANGIBLE ASSETS

On 18 January 2017, the Company and Minghua Group entered into an exclusive services agreement ("ESA") under which Minghua Group shall provide to the Company and its subsidiaries logistics services on an exclusive basis, including but not limited to, dispatching of coal products, weighing, loading and unloading of transport vehicles, setting the stack and loading containers. Minghua Group is a third party company which owns a logistics park in the Inner-Mongolia Autonomous Region of the PRC, which is capable to carry out through-in and through-out transport of trains, and provides coal logistics services which allow customers to complete all necessary formalities in relation to railway transportation from certain border crossings on the PRC side of the China-Mongolia border to other points in the PRC. The fees for the provision of these services shall be paid by the Company in accordance with separate logistics service contracts to be entered into between the Company and Minghua Group in relation to such services. The term of the ESA is 20 years which commenced from 1 January 2017.

The exclusive right fee under the ESA was determined by the Company and Minghua Group taking into account the logistics services to be provided, the benefits to the Company of the exclusive right to the logistics services and the discount on the relevant service fees for the logistics services to be provided. Pursuant to the ESA, the Company paid Minghua Group the exclusive right fee through the issue of approximately 93,016,667 ordinary shares at fair value of approximately $105,108,000 based on the closing price of the Company's shares as traded in The Stock Exchange of Hong Kong Limited on 14 February 2017 of $1.13 per share.

Amortisation of the exclusive right is calculated using the straight line method to allocate the cost over 20 years during the term of the ESA.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

11 OTHER INVESTMENTS IN EQUITY SECURITIES

	At 30 June 2017 $'000	At 31 December 2016 $'000
Other investments in equity securities	**362,532**	351,893
Less: impairment losses	**(241,857)**	(234,759)
	120,675	117,134

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 30 June 2017, 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 the relevant companies. As a full impairment provision has already been provided for, no further loss incurred by the relevant companies during the six months ended 30 June 2017 was taken up in the Company's interim financial report and changes during the current period represented the effect of exchange rate changes.

12 OTHER NON-CURRENT ASSETS

	At 30 June 2017 $'000	At 31 December 2016 $'000
Loan to a third party	**105,845**	120,260
Less: impairment losses	**(105,845)**	(120,260)
	–	–

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 United States dollars ("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 is a third party and the loan to Moveday was an unsecured loan, the Group did not have an 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).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

12 OTHER NON-CURRENT ASSETS (CONTINUED)

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.

On 30 April 2016, the transportation agreement entered into by the Group and Moveday 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).

During the six months ended 30 June 2017, the Group has recovered loan principal of US$1.95 million (equivalent to approximately $15,138,000) from Moveday. The outstanding loan balance as at 30 June 2017 was US$13.55 million (equivalent to approximately $105,845,000) (31 December 2016: US$15.50 million (equivalent to approximately $120,260,000)).

As at 30 June 2017, the Group continues to make an impairment provision of $105,845,000 (31 December 2016: $120,260,000) taking into account the existence of uncertainties of future financial and operating circumstances of Moveday.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INVENTORIES

	At 30 June 2017 $'000	At 31 December 2016 $'000
Coking coal	**475,488**	502,616
Thermal coal	**85,250**	28,850
Coal related products	**10,413**	13,870
Petrochemical products	**18,998**	5,795
Iron ore	**107,908**	9,382
Others	**23,358**	22,493
	721,415	583,006
Less: write-down of inventories	**–**	–
	721,415	583,006

An analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	Six months ended 30 June	
	2017 $'000	2016 $'000
Carrying amount of inventories sold	**9,521,900**	4,390,826
Write-down of inventories	**–**	7,298
	9,521,900	4,398,124

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES

	At 30 June 2017 $'000	At 31 December 2016 $'000
Trade receivables	**1,186,013**	416,925
Bills receivable	**1,948,149**	476,197
Receivables from agents	**66,506**	254,197
Less: allowance for doubtful debts	**(132,593)**	(137,786)
	3,068,075	1,009,533
Prepayments to suppliers	**137,016**	299,368
Derivative financial instruments*	**15,351**	38,406
Deposits and other receivables	**196,546**	303,461
Less: allowance for doubtful debts	**(42,533)**	(41,285)
	3,374,455	1,609,483

* As at 30 June 2017 and 31 December 2016, derivative financial instruments represented the fair value of 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 agents can be as long as one year, which are comparable to the credit terms for payables to agents as granted to the Group. Bills receivable are normally due within 180 days to 360 days from the date of issuing.

At 30 June 2017, trade and bills receivables of the Group of $26,015,000 (31 December 2016: $ nil) have been pledged as collateral for the Group's bills payable (see note 17).

At 30 June 2017, trade and bills receivables of the Group of $1,561,423,000 (31 December 2016: $176,721,000) have been pledged as collateral for the Group's borrowings (see note 18).

(a) Ageing analysis

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

	At 30 June 2017 $'000	At 31 December 2016 $'000
Less than 3 months	**2,225,453**	568,823
More than 3 months but less than 6 months	**803,464**	440,710
More than 6 months but less than 1 year	**39,158**	–
	3,068,075	1,009,533

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Impairment losses in respect of trade receivables, bills receivable and receivables from 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 agents.

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

	2017 $'000	2016 $'000
At 1 January	**137,786**	58,870
Impairment loss recognised	**–**	6,336
Reversal of impairment loss	**(9,202)**	(35,963)
Exchange adjustments	**4,009**	–
At 30 June	**132,593**	29,243

At 30 June 2017, the Group's trade receivables, bills receivable and receivables from agents of $132,593,000 (31 December 2016: $137,786,000) were determined to be impaired. The impaired receivables related to customers that were in financial difficulties and management assessed that the receivables could not be recovered. Consequently, specific allowances for doubtful debts of $132,593,000 (31 December 2016: $137,786,000) 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 six months ended 30 June 2017 and 2016.

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

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

	At 30 June 2017 $'000	At 31 December 2016 $'000
Neither past due nor impaired	**3,063,066**	940,764
Less than 3 months past due	**5,009**	68,769
	3,068,075	1,009,533

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Impairment of other receivables

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

	2017 **$'000**	2016 $'000
At 1 January	**41,285**	161,368
Reversal of impairment loss	**–**	(28,416)
Exchange adjustments	**1,248**	–
At 30 June	**42,533**	132,952

As at 30 June 2017, included in the impairment loss are impaired value added tax ("VAT") recoverable of $26,071,000 (31 December 2016: $25,306,000) that have been accumulated to date in certain subsidiaries of the Group which can be deductible 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 during the six months ended 30 June 2016 represented the amount of VAT recoverable, impaired in the prior year which has been utilised by the Group during the six months ended 30 June 2016.

15 RESTRICTED BANK DEPOSITS

The Group has pledged bank deposits of $152,241,000 (31 December 2016: $63,889,000) as at 30 June 2017 as collateral for the Group's borrowings (see note 18) and banking facilities in respect of issuance of bills and letters of credit by the Group (see note 17).

16 CASH AND CASH EQUIVALENT

	At 30 June 2017 **$'000**	At 31 December 2016 $'000
Cash at bank and in hand	**409,628**	534,395

At 30 June 2017, cash and cash equivalents of $258,623,000 (31 December 2016: $247,827,000) was held by the entities of the Group in Renminbi ("RMB") in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

17 TRADE AND OTHER PAYABLES

	At 30 June 2017 $'000	At 31 December 2016 $'000
Trade and bills payables	**548,450**	214,149
Prepayments from customers	**79,848**	26,283
Payables in connection with construction projects	**73,032**	58,617
Payables for purchase of equipment	**11,196**	7,708
Payable for contingent value rights	**–**	77,553
Dividend payable	**8,870**	–
Others	**299,646**	488,690
	1,021,042	873,000

At 30 June 2017, bills payable amounting to $25,261,000 (31 December 2016: $nil) have been secured by bills receivable with an aggregate carrying value of $26,015,000 (31 December 2016: $nil).

At 30 June 2017, bills payable amounting to $215,944,000 (31 December 2016: $nil) have been secured by credit guarantee, deposits placed in banks, land use rights and property, plant and equipment with an aggregate carrying value of $151,238,000 (31 December 2016: $nil) and credit guarantee.

At 30 June 2017, bills payable amounting to $nil (31 December 2016: $11,514,000) have been secured by deposits placed in banks with an aggregate carrying value of $nil (31 December 2016: $11,514,000).

As of the end of the reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	At 30 June 2017 $'000	At 31 December 2016 $'000
Within 3 months	**307,396**	199,665
More than 3 months but less than 6 months	**225,700**	10,655
More than 6 months but less than 1 year	**11,488**	–
More than 1 year	**3,866**	3,829
	548,450	214,149

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

	At 30 June 2017 $'000	At 31 December 2016 $'000
Due within 1 month or on demand	**307,245**	202,634
Due after 1 month but within 3 months	**25,261**	8,161
Due after 3 months but within 6 months	**71,981**	3,354
Due after 6 months but within 1 year	**143,963**	–
	548,450	214,149

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

18 SECURED BANK AND OTHER LOANS

(a) The secured bank and other loans comprise:

	At 30 June 2017 $'000	At 31 December 2016 $'000
Bank loans	**2,063,371**	757,705
Other loans (note)	**126,629**	–
	2,190,000	757,705

	At 30 June 2017 $'000	At 31 December 2016 $'000
Short-term loans and current portion of long-term loans	**2,086,347**	724,168
Long-term loans	**103,653**	33,537
	2,190,000	757,705

Note: During the six months ended 30 June 2017, 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 six months ended 30 June 2017, certain subsidiaries of the Group entered into transactions with that third party company to sell coking coal at an average price of approximately $1,402/tonne (six months ended 30 June 2016: $573/tonne) with a total amount of $239,770,000 (six months ended 30 June 2016: $157,678,000) to that third party company with transfer of rights of coking coal inventories of 171,009 tonnes (six months ended 30 June 2016: 275,000 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 $1,436/tonne (six months ended 30 June 2016: $592/tonne) with a total amount of $245,579,000 (six months ended 30 June 2016: $162,879,000) from that third party company with a term of 90-120 days (six months ended 30 June 2016: 45 days) to be settled afterwards and the rights to the corresponding coking coal inventories were transferred back to the Group upon settlement.

As of 30 June 2017, as part of the sale and buyback arrangement, an amount of $57,527,000 (31 December 2016: $nil) has been received by the Group from that third party company, and the transaction has been accounted for by the Group as other loan provided to the Group and interest expense of $4,380,000 (six months ended 30 June 2016: $3,428,000) has been charged to the Company's consolidated statement of profit or loss for the six months ended 30 June 2017.

During the six months ended 30 June 2017, the Group borrowed a loan from a third party company with principal amount of $69,102,000 bearing interest rate at 7.8375% per annum and is repayable on 31 December 2018. Such loan was borrowed by that third party company from a commercial bank in Inner-Mongolia Autonomous Region, with the same loan principal amount, interest rate and maturity date terms, that the Group has provided guarantee to the third party company on its repayment of the loan to the bank.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

18 SECURED BANK AND OTHER LOANS (CONTINUED)

(b) The secured bank and other loans are repayable as follows:

	At 30 June 2017 $'000	At 31 December 2016 $'000
Within 1 year	**2,086,347**	724,168
After 1 year but within 2 years	**103,653**	33,537
	2,190,000	757,705

At 30 June 2017, bank loans amounting to $24,269,000 (31 December 2016: $27,035,000) have been secured by bank deposits placed in banks with an aggregate carrying value of $24,271,000 (31 December 2016: $27,901,000).

At 30 June 2017, bank loans amounting to $1,553,036,000 (31 December 2016: $176,721,000) have been secured by bills receivables with an aggregate carrying value of $1,561,423,000 (31 December 2016: $176,721,000).

At 30 June 2017, bank loans amounting to $451,515,000 (31 December 2016: $520,412,000) have been secured by land use rights and property, plant and equipment with an aggregate carrying value of $366,407,000 (31 December 2016: $389,756,000) and credit guarantee.

At 30 June 2017, bank loan amounting to $34,551,000 (31 December 2016: $33,537,000) has been secured by credit guarantee with a guarantee amount of $34,551,000 (31 December 2016: $33,537,000).

19 SENIOR NOTES

On 8 April 2011, the Company 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 had 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").

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

19 SENIOR NOTES (CONTINUED)

The Debt Restructuring 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") (see note 21(b)(iii)).

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.

As disclosed in note 21(b)(iii), on 28 June 2016, a total number of 322,706,001 Initial Scheme Shares (as defined in note 21(b)(iii)) were allotted and issued to the Initial Bondholders (as defined in note 21(b)(iii)) and the remaining 243,273,777 Scheme Shares were allotted and issued to the Participating Bondholders (as defined in note 21(b)(iii)) 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 that the Triggering Event 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, was 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.

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

20 DEFERRED INCOME

Deferred income represents the unfulfilled conditional government grants received, which will be subsequently recognised as revenue in the consolidated statement of profit or loss to compensate the Group for expenses when incurred, and the unrecognised government grants relating to compensating the Group for the cost of assets.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

21 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) *Dividends payable to equity shareholders of the Company attributable to the interim period*

An interim dividend of HK$0.038 per share was declared attributable to the six months ended 30 June 2017 (six months ended 30 June 2016: $nil).

(ii) *Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period.*

During the current interim period, a final dividend of $0.077 per share in respect of the year ended 31 December 2016 (six months ended 30 June 2016: $nil in respect of the year ended 31 December 2015) was declared to the equity shareholders of the Company. The aggregate amount of the final dividend declared approximately amounted to $242,497,000 (six months ended 30 June 2016: $nil).

(b) Share capital

	At 30 June 2017 No. of shares '000	At 31 December 2016 No. of shares '000
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

	2017		2016	
	No. of shares '000	**$'000**	No. of shares '000	$'000
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	**3,018,559**	**5,681,512**	3,773,199	4,992,337
Purchase of own shares (note i)	**(18,408)**	**(15,390)**	–	–
Shares issued for exclusive services agreement (note 10)	**93,017**	**105,108**	–	–
Shares issued for settlement of CVRs (note ii)	**64,131**	**77,785**	–	–
Shares consolidation	**–**	**–**	(3,584,539)	–
Rights Shares issued under rights issue (note iii)	**–**	**–**	565,980	383,546
Anti-dilution Shares issued under rights issue (note iii)	**–**	**–**	1,697,939	–
Scheme Shares issued under Debt Restructuring (note iv)	**–**	**–**	565,980	305,629
At 30 June 2017/31 December 2016	**3,157,299**	**5,849,015**	3,018,559	5,681,512

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital (Continued)

(i) *Purchase of own shares*

During the six months ended 30 June 2017, the Company cancelled own shares in aggregate of 18,408,000 shares which were purchased from the open market during the year ended 31 December 2016.

(ii) *Shares issued for settlement of CVRs*

On 30 April 2017 (the "Settlement Date"), as a result of the occurrence of the Triggering Event, the Company has settled the CVRs in full at the face value recorded on each CVR certificate through the issue of approximately 64,131,037 ordinary shares at the settlement price of $1.21 per share.

(iii) *Shares issued under rights issue*

As disclosed in note 19, the Cash Consideration as well as the Consent Fee and the success fee of Houlihan Lokey were funded by the proceeds of the 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 were 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 were allotted and issued at the subscription price of $0.69 per Rights Share for net proceeds of $383,546,000 which were credited to share capital account, and a total number of 322,706,001 Initial Scheme Shares were 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 were 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 were allotted and issued to the Participating Bondholders.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital (Continued)

(iv) Scheme Shares issued under Debt Restructuring

As disclosed in note (iii), during the year ended 31 December 2016, a total number of 565,979,778 Scheme Shares were 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 (see note 19).

(v) Employee Share Trusts

The Group operates a long-term incentive program in 2012 to retain and motivate the employees to make contributions to the long term-growth and performance of the Group, namely Restricted Share Units Scheme ("RSU Scheme"). A restricted share unit award ("RSU Award") gives a participant in the RSU Scheme a conditional right when the RSU Award vests to obtain either ordinary shares (existing ordinary shares in issue or new ordinary shares to be issued by the Company) or an equivalent value in cash with reference to the value of the ordinary shares on or about the date of vesting. The Group reserves the right, at its discretion, to pay the award in cash or ordinary shares of the Group.

Employee share trusts are established for the purposes of awarding shares to eligible employees under the RSU Scheme. The employee share trusts are administered by trustees and are funded by the Group's cash contributions for buying the Company's shares in the open market and recorded as contributions to employee share trusts, an equity component.

The administrator of the employee share trusts transfers the shares of the Company to employees upon vesting.

During the six months ended 30 June 2017, the Company granted certain RSU Award in respect of an aggregate of 7,385,000 ordinary shares of the Company to certain grantees pursuant to the RSU Scheme. The ordinary shares of the Company underlying the grant of RSU Awards was settled by existing ordinary shares of the Company held by the employee share trusts.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 30 June 2017 $'000	**Fair value measurements as at 30 June 2017 categorised into**		
		Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments				
– Commodity futures contracts	**15,351**	**15,351**	**–**	**–**

	Fair value at 31 December 2016 $'000	Fair value measurements as at 31 December 2016 categorised into		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments				
– Commodity futures contracts	38,406	38,406	–	–

During the six months ended 30 June 2017, there have been no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: $nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward foreign exchange contracts in Level 2 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.

23 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of Group, including amounts paid to Group's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Short-term employee benefits	**13,362**	13,084
Equity compensation benefits	**7,806**	–
	21,168	13,084

(b) Transactions with other related parties

In addition to the balances disclosed elsewhere in this interim financial report, the Group has no material related party transactions during the six months ended 30 June 2017 and 2016.

24 COMMITMENTS

At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2017	At 31 December 2016
	$'000	$'000
Within 1 year	**8,284**	5,182
After 1 year but within 5 years	**7,807**	1,724
	16,091	6,906

The Group leases buildings and others under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew when all terms are renegotiated. None of the leases includes contingent rentals.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 1 June 2017, the Company have entered into a subscription agreement with Lord Central Opportunity VII Limited (the "Subscriber") pursuant to which the Subscriber has agreed to subscribe for convertible bonds in an aggregate principal amount of US$40 million, and 118,060,606 warrants. The convertible bonds are bearing interest at 5% per annum, repayable at the fifth anniversary of the issue date and with the initial conversion price at $0.90 (subject to adjustments as projected in the terms and conditions of the convertible bonds). The warrants are exercisable at any time from the issue date and up to the fifth anniversary after the issue date, and the initial subscription price per share of the warrants is $0.99 (subject to adjustments in the manner provided in the warrant instrument). As at the date of this interim financial report, the conditions precedent under the subscription agreement have not been fulfilled and the convertible bonds and warrants have not been issued.

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONTINUED)

IFRS 9, Financial instruments (Continued)

(a) Classification and measurement (Continued)

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONTINUED)

IFRS 15, Revenue from contracts with customers (Continued)

(a) *Timing of revenue recognition (Continued)*

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that some of the Group's contracts the point in time when revenue is recognised under IFRS 15 may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) *Significant financing component*

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

The Group is in the process of assessing whether the advance payments from customers would be significant to the contract and therefore whether, once IFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under IFRS 15, if considered necessary, would result in interest expense being recognised.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONTINUED)

IFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for buildings which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to $16,091,000 for buildings, the majority of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt IFRS 16 in its 2018 consolidated financial statements.

Review Report to the Board of Directors of E-Commodities Holdings Limited

(Incorporated in the British Virgin Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 19 to 54 which comprises the consolidated statement of financial position of E-Commodities Holdings Limited (the "Company") as of 30 June 2017 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

Except as explained below, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity,* issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

BASIS FOR QUALIFIED CONCLUSION

As disclosed in note 12 to the interim financial report, as at 30 June 2017, the Group had an outstanding loan due from Moveday Enterprises Limited ("Moveday") of US$13.55 million (equivalent to approximately $105,845,000) (31 December 2016: US$15.50 million (equivalent to approximately $120,260,000)) after recovery of loan principal of US$1.95 million (equivalent to approximately $15,138,000) during the six months ended 30 June 2017. As at 30 June 2017, the Group continues to make an impairment provision of $105,845,000 (31 December 2016: $120,260,000) taking into account the existence of uncertainties relating to the future financial and operating circumstances of Moveday, but not the possibility of any further recovery that may be achieved in future through re-negotiation of the terms of the loan or alternative forms of settlement in kind. We qualified our auditor's report dated 28 March 2017 on the Group's financial statements for the year ended 31 December 2016 in respect of a limitation in the scope of our audit relating to this impairment loss 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. Given the inherent limitations in the scope of our review, which is by definition substantially less than an audit, and that this matter has not been resolved, 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 30 June 2017 and could also affect the Group's profit for the six months then ended, the opening balance of accumulated losses as at 1 January 2017, net assets as at 31 December 2016, and the related disclosures in the interim financial report.

Review Report to the Board of Directors of E-Commodities Holdings Limited

(Incorporated in the British Virgin Islands with limited liability)

QUALIFIED CONCLUSION

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
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22 August 2017