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

Annual Report 2018

To Make
Commodity Business
EASIER

CONTENTS

Chairman's Statement

Dear shareholders and colleagues,

As we announce the annual results of E-Commodities Holdings Limited ("**E-Commodities**") for 2018, I would like to take the opportunity to express my heartfelt gratitude for your continued support over the years and confidence in our future development. We will strive to create more value for all of our shareholders and employees in the coming years.

In 2018, the Company continued to enjoy stable growth by entering into new markets and expanding into more categories of commodities. As a result, the Company recorded a net profit of HK$893 million, closely matching the strong results from the previous two years. The Company witnessed strong cooperation and synergies among its four major business segments, i.e. supply chain trading business, supply chain logistics, clean raw materials processing and internet intelligent platform.

The Company continues to put efforts into upgrading its logistics infrastructure and management methods in order to improve the efficiencies and reduce costs. Container transportation business is one of the key areas that the Company has been focusing on.

In 2018, according to the requirements of environmental protection policy, against the background that the State requires cargoes to be transported to and from the five major ports of Beijing, Tianjin and Hebei by railway, but not by highway ("**highway-to-railway**"), and that the State has been vigorously promoting the cargoes transported in bulk to be transported in containers ("**in bulk-to-in container**"), our Company has conformed to the national policy and enlarged the container transportation business in its supply chain logistics sector. Through the use of special containers as carriers, the Company has succeeded to transport cargoes in bulk by containers. In such transport process, the cargoes were loaded in pitheads and unloaded to other containers at their destinations. In the whole transportation process, there was no material spillage and dust pollution problems in coal transportation, loading and unloading, and warehousing were fully solved. At the same time, transportation in containers also had advantages such as reducing cargo damage, achieving real-time positioning, cargo tracing, pendulum transportation and multimodal transportation.

Based on the Company's advanced washing and processing technology and washing capacity, the Company also provided customers with value-added services through adding a clean raw materials processing segment. We actively cooperated with domestic and foreign mine owners to provide customers with clean raw materials that meet both environmental protection requirements and coking requirements.

Chairman's Statement

The Company also launched the Yee-Link platform. The goal is for the Company to become an expert in intelligent logistics for the commodity field. The Company has established dynamic electronic accounts to track in real-time its vehicles, cargoes and personnel. The Company has also set up a standard asset management system, improved and optimised the management and operation process for real-time monitoring of each control area and effective control over its business processing, and has achieved resource leveling within the organisation and regulated supply and demand. The Yee-Link platform combines the Internet of Things and professional supply chain service capabilities with advanced scientific and technological means to create a new commodity supply chain ecology. Its vision is to build an intelligent and collaborative supply chain platform. It will, from an application perspective, provide online and offline solutions for cargo owners, logistics companies, drivers, logistics parks, regulatory bodies, financial institutions and other parties in the commodity field.

We are pleased to recommend to shareholders a final dividend in cash of HK$0.072 per share, which is the third year of continuous dividend payment as a direct return to shareholders who have given us long-term support.

We are confident in the Company's operation and development in 2019. For the supply chain trading segment, we will continue the Company's commodity trading to provide sales and purchases services of commodities, such as, coal, iron ore, nonferrous metal and petrochemical products to upstream and downstream customers. For the supply chain logistics segment, we will further enlarge the container transportation business. For the clean raw materials processing segment, we will further utilize our resources to provide coal washing and blending services for more clients. For the internet intelligence platform segment, we are committed to building it into the expert in intelligent logistics for the commodities field. We will continue to improve efficiency, reduce costs, control risks and make investment prudently to create greater value and return for shareholders who have given us long-term trust and support.

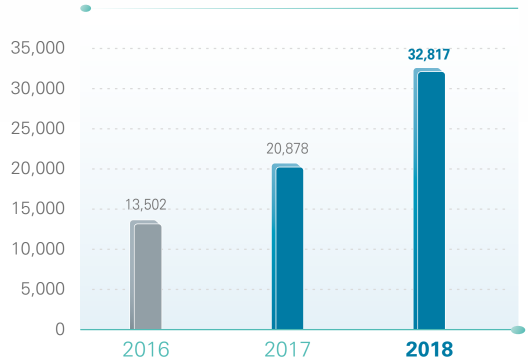
Cao Xinyi
Chairman
E-Commodities Holdings Limited

Management Discussion and Analysis of Financial Conditions and Operating Results

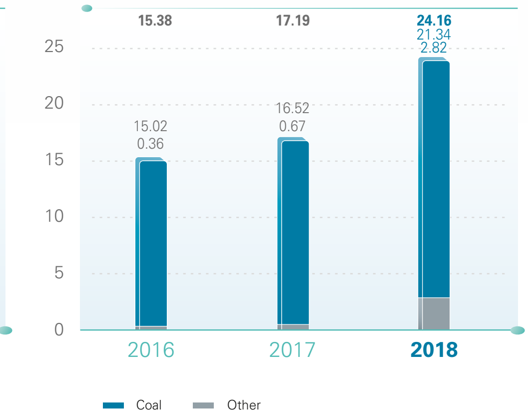
The following discussion and analysis should be read in conjunction with the Group's financial information and the notes thereto. The Group's financial information have been prepared in accordance with International Financial Reporting Standards.

I. OVERVIEW

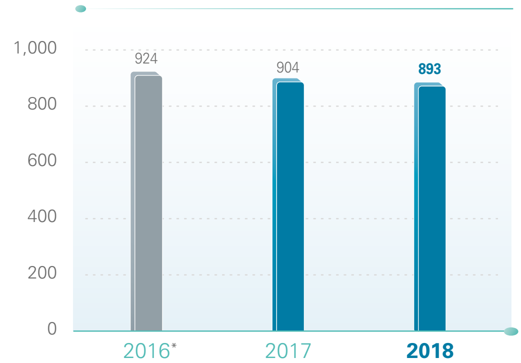
Revenue (in HK$ million)



Supply Chain Trading Volumes (million tonnes)

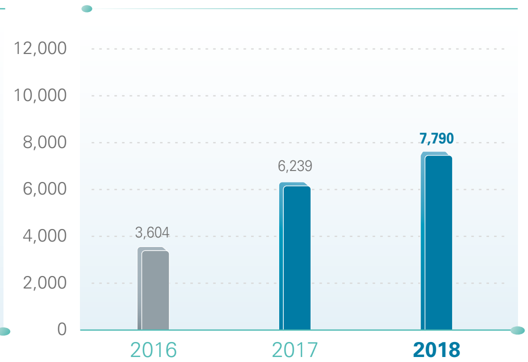


Net Profit (in HK$ million)

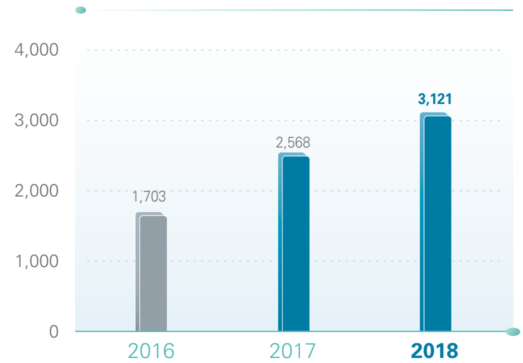


* In 2016, net profit was HK$2,872 million, excluding the gain on debt restructuring, adjusted net profit in 2016 was HK$924 million.

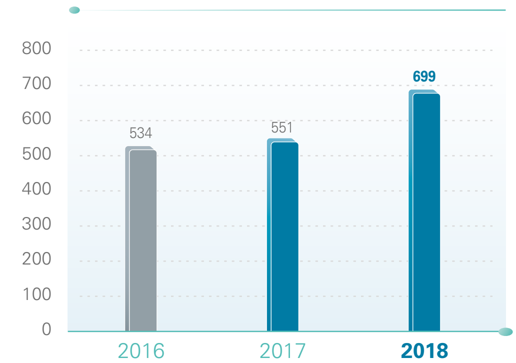
Total Assets (in HK$ million)



Total Equity (in HK$ million)



Cash Balance (in HK$ million)



Management Discussion and Analysis of Financial Conditions and Operating Results

II. FINANCIAL REVIEW

1. Revenue Overview

In 2018, the Group recorded consolidated sales revenue of HK$32,817 million, a 57.18% increase compared to HK$20,878 million in 2017. The increase is primarily attributable to the increases in our supply chain trading business. In 2018, our supply chain trading volume was 24.16 million tonnes, a 40.55% increase compared to 17.19 million tonnes in 2017. In 2018, our supply chain trading revenue for coal products was HK$28,029 million, accounting for approximately 85.41% of our total sales revenue of 2018.

Supply Chain Trading

This segment generates income by providing supply chain trading services to our end customers, covering diversified commodities including, among others, coal products, oil and petrochemical products, iron ore, nonferrous metals and coke. For 2018, revenue from supply chain trading also included added value by rendering warehousing, coal processing and internal logistics, which is not yet separable from supply chain trading revenue. In 2018, our supply chain trading business segment together with integrated logistics and coal processing services contributed the majority of our total revenue, which was HK$32,639 million representing approximately 99.46% of the total sales revenue.

The Group diversified our product lines from coal products to various products including, among others, oil and petrochemical products, nonferrous metals, iron ore and coke. The diversified product lines allows the Group to better adapt to different market conditions.

Management Discussion and Analysis of Financial Conditions and Operating Results

	2018 HK$'000	2017 HK$'000
Disaggregated by major products of service lines		
– Coal	**28,028,521**	19,428,312
– Oil and petrochemical products	**3,004,972**	846,104
– Iron ore	**1,228,312**	273,578
– Nonferrous metals	**351,070**	226,160
– Rendering of logistics services	**133,702**	94,344
– Coke	**26,028**	–
– Others	**44,851**	9,461
	32,817,456	20,877,959

In 2018, approximately 85.41% of sales revenue was generated from the sales of coal, compared to approximately 93.06% in 2017.

In 2018, sales revenue generated from the sales of oil and petrochemical products and iron ore represented 9.16% and 3.74% of the total sales revenue, compared to 4.05% and 1.31%, respectively in 2017.

In 2018, the Group also expanded its geographic coverage of business to include Turkey, India, South Korea, America, Indonesia and others. Approximately HK$3,225 million of sales were generated from outside of the PRC, a 94.75% increase compared to HK$1,656 million in 2017.

	2018 HK$'000	2017 HK$'000
The PRC (including Hong Kong and Macau)	**29,592,066**	19,221,864
Turkey	**1,423,596**	550,050
India	**911,143**	–
South Korea	**668,714**	173,605
America	**114,760**	–
Indonesia	**95,541**	–
Japan	**–**	711,167
Others	**11,636**	221,273
	32,817,456	20,877,959

Management Discussion and Analysis of Financial Conditions and Operating Results

In 2018, we successfully expanded our sales network to a more national-based spread.

In 2018, the sales revenue from our top five customers accounted for 42.02% of our total sales, whereas the same ratio was 43.70% in 2017. These customers are mainly large-scale, state-owned steel groups throughout China, and the largest steel company in Turkey, all being leading companies in the industry.

Supply Chain Logistics

Our supply chain logistics segment mainly provides warehousing and logistics services for our supply chain trading business and third parties services similar to integration of trading were recorded in supply chain trading. In 2018, this segment generated revenue of HK$134 million, representing a 42.55% increase compared to HK$94 million in 2017, which was generated by providing warehousing and logistics services for third parties.

Clean Raw Materials Processing

Our clean raw materials processing segment provides coal washing and processing services for our supply chain trading business and third parties. The Group has advanced coal washing and processing technology which ensures our products not only reach the government environmental protection standards, but also meet the requirements of steel mills for clean raw materials. In 2018, this segment contributed revenue of HK$34 million and gross profit of HK$7 million by providing services for third parties.

Internet Intelligent Platform

The internet intelligent platform segment includes the development and operation of an enormous data-based transportation service platform, a supply chain financing platform, and a trading platform for diversified commodities. Through equity investment, business investment and cooperation, we have built up strategic partnerships with many professional institutions and will establish a "Sky Network" of commodity supply chain services by using artificial intelligence, big data, blockchain and Internet of things and many other technologies.

Management Discussion and Analysis of Financial Conditions and Operating Results

2. Cost of Goods Sold ("COGS") and Procurement

COGS primarily consists of the purchase price, transportation costs, and processing costs. COGS in 2018 was HK$31,202 million, which was a 63.73% increase compared to HK$19,057 million in 2017, mainly due to the increased sales volume. The procurement costs include goods purchase price and transportation costs from overseas to the border crossing or ports in the relevant countries where the customers are located.

Procurement	**2018**		2017	
	procurement volume '000 tonnes	**procurement amounts HK$'000**	procurement volume '000 tonnes	procurement amounts HK$'000
Coal	**22,289**	**26,527,543**	16,184	16,709,151
Oil and petrochemical products	**436**	**2,986,288**	171	821,559
Nonferrous metals	**15**	**338,239**	11	233,035
Iron ore	**2,246**	**1,169,240**	639	341,519
Coke	**10**	**26,034**	–	–
	24,996	**31,047,344**	17,005	18,105,264

In 2018, the total procurement amount was HK$31,047 million, of which, the top five suppliers accounted for 40.32%. No Director or their close associates (as defined under the Listing Rules, or Shareholders owning more than 5% of the issued shares in the Company, has any interest in suppliers.

3. Gross Profit

The Group recorded a gross profit of HK$1,615 million in 2018, compared to a gross profit of HK$1,821 million recorded in 2017. The decrease in gross profit was mainly due to lower profitability per tonne of coking coal while we targeted an increase in volume in 2018, and a moderately lower profit target due to expansion into other non-coking coal commodities.

4. Distribution Costs

Distribution costs were HK$195 million in 2018, which was a 34.12% decrease compared to HK$296 million in 2017. Distribution costs include fees and charges incurred for supply chain trading and related logistics and transportation costs.

Management Discussion and Analysis of Financial Conditions and Operating Results

5. Administrative Expenses

Administrative expenses were HK$445 million in 2018, an increase of 17.72% over HK$378 million of administrative expenses incurred in 2017. This increase was mainly due to business growth, which led to increases in staff costs and company running expenses.

	2018	2017
	HK$'000	HK$'000
Staff costs*	**321,541**	290,196
Reversal of provision for impairment losses on trade and other receivables	**(83,243)**	(80,834)
Others	**206,408**	168,183
	444,706	377,546

* For the year ended 31 December 2018, staff-related expenses of the Group included a bonus of approximately HK$151 million, of which HK$131 million was paid to the business sector teams, and the remaining HK$20 million was paid to the functional management team. The following factors were considered in determining the bonus: business pre-tax profit made by each business sector team, individual performance and overall profit of the Company. A certain proportion of the business pre-tax profit made by each business sector team is appropriated for use as bonus. The proportion was determined by reference to the incentive schemes of similar companies in the market, and with the aim of boosting performance so as to maintain team stability and morale, and ensures that the Company is competitive enough in the market to retain outstanding employees and management.

6. Net Finance Costs

In 2018, the Group recorded net finance costs of HK$193 million in total, compared to net finance costs of HK$149 million in 2017. The increase in finance income is mainly due to gains from changes in the fair value of Convertible Bonds in an aggregate principal amount of US$40 million issued by the Company on 14 September 2017. The increase in finance costs is mainly due to the increased interest accrued on the Convertible Bonds, discounted bills receivable, secured loan, factoring and finance charges from letters of credit.

Management Discussion and Analysis of Financial Conditions and Operating Results

Net finance costs

	2018	2017
	HK$'000	HK$'000
Interest income on financial assets measured at amortised cost	**(5,492)**	(3,275)
Changes in fair value on conversion option embedded in convertible bonds and warrants	**(36,311)**	(3,422)
Finance income	**(41,803)**	(6,697)
Interest on secured bank and other loans	**65,466**	50,370
Interest on discounted bills receivable	**87,409**	77,003
Finance charges on obligations under finance leases	**1,156**	577
Interest on Convertible Bonds	**43,000**	12,251
Total interest expense	**197,031**	140,201
Bank charges	**22,577**	9,503
Foreign exchange loss, net	**15,539**	6,089
Finance costs	**235,147**	155,793
Net finance costs	**193,344**	149,096

7. Net profit and earnings per share

Our net profit was HK$893 million in 2018, compared to net profit of HK$904 million in 2017.

Basic earnings per share were HK$0.286 in 2018, compared to basic earnings per share of HK$0.293 in 2017. Diluted earnings per share were HK$0.259 in 2018, compared to diluted earnings per share of HK$0.285 in 2017.

Management Discussion and Analysis of Financial Conditions and Operating Results

8. Other Non-Current/Current Assets

	2018 HK$'000	2017 HK$'000
Loan to a third party	**21,485**	79,373
Less: impairment losses	**–**	(79,373)
	21,485	–
Reconciliation to the consolidated statement of financial position:		
Current assets	**21,485**	–
Non-current assets	**–**	–
	21,485	–

During the year ended 31 December 2018, the Directors continued their efforts to negotiate with Moveday for the repayment of the outstanding loan. The Group recovered loan principal of US$7.42 million (equivalent to approximately HK$57,888,000) from Moveday. As at 31 December 2018, in view of the further repayment from Moveday during the year, the Directors believed that the outstanding loan balance of US$2.74 million (equivalent to approximately HK$21,485,000) as at 31 December 2018 could be fully recovered and have therefore reversed the remaining balance of the impairment provision. As a result of these events, in total a gain of HK$79,373,000 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

In January 2019, the Group recovered all of the remaining loan principal of US$2.74 million (equivalent to approximately HK$21,485,000).

Management Discussion and Analysis of Financial Conditions and Operating Results

9. Trade and Other Receivables

	At 31 December 2018 HK$'000	At 31 December 2017 HK$'000
Trade Receivables	**684,648**	1,122,818
Bills Receivable	**2,765,934**	1,628,459
Receivables from agents	**41,926**	60,524
Less: allowance for doubtful debts	**(8,549)**	(80,612)
Prepayments to suppliers	**541,599**	485,530
Deposits	**75,559**	38,870
Derivative financial instruments	**4,663**	34,668
Interest receivable	**–**	670
Others	**26,969**	31,549
VAT tax recoverable	**162,220**	74,093
Less: allowance for doubtful debts	**(6,656)**	(10,093)
Receivables from government agencies	**16,313**	17,259
Less: allowance for doubtful debts	**(16,313)**	(17,099)
	4,288,313	3,386,636

As of 31 December 2018, our trade and other receivables was HK$4,288 million, an 26.60% increase over HK$3,387 million of trade and other receivables as of 31 December 2017. The increase was mainly due to the increase in our supply chain trading business.

Management Discussion and Analysis of Financial Conditions and Operating Results

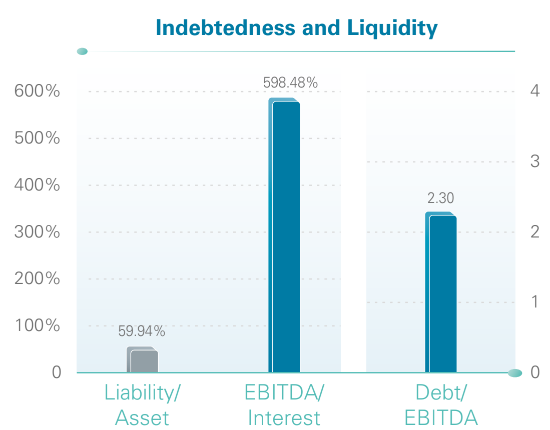
10. Trade and Other Payables

	At 31 December 2018 HK$'000	At 31 December 2017 HK$'000
Trade Receivables	**460,628**	155,344
Bills Receivable	**464,531**	224,306
Advances from customers	**229,220**	80,798
Payables in connection with construction projects	**32,573**	45,682
Payables for purchase of equipment	**25,104**	7,706
Payables for staff related costs	**169,809**	176,827
Payables for other taxes	**172,465**	81,860
Others	**112,109**	141,765
	1,666,439	914,288

As of 31 December 2018, our trade and other payables was HK$1,666 million, an increase of 82.28% over HK$914 million of trade and other payables as of 31 December 2017. The increase was mainly due to the growth of our business.

11. Indebtedness and Liquidity

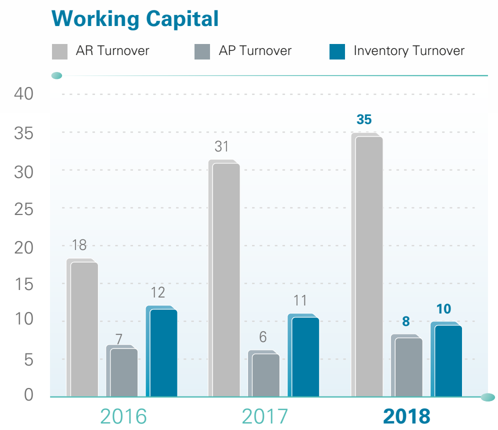
The total amount of bank loans owed by the Group at the end of 2018 was HK$2,432 million. Interest rates on these loans range from 3.03% to 10.45% per annum, whereas the range in 2017 was from 1.96% to 7.84%. The Group's gearing ratio at the end of 2018 was 59.94%, which was a slight increase compared to 58.83% at the end of 2017. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.



Management Discussion and Analysis of Financial Conditions and Operating Results

12. Working Capital

Our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 35 days, 8 days, and 10 days, respectively, in 2018. As a result, the overall cash conversion cycle was approximately 37 days in 2018, which was the same as the Group's cash conversion cycle realised in 2017.



13. Contingent Liabilities

The Company's existing subsidiaries, namely Glorious Gold Holdings Limited, Million Super Star Limited, E-Commodities Japan Co., Ltd.* (株式会社イー・コモディティーズジャパン), E-Commodities Holdings Private Limited, E-Commodities (HK) Holdings Limited, Cheer Top Enterprises Limited, Legend York Star Limited, Color Future International Limited, Standard Rich Inc Limited, King Resources Holdings Limited, Eternal International Logistics Limited, Royce Petrochemicals Limited and E-Commodities International Development(HK) Limited, have provided guarantees for the Convertible Bonds and the 118,060,606 units of warrants issued on 14 September 2017. The guarantees will be released upon the full and final payment and performance of all obligations of the Company under the Convertible Bonds and Warrants.

14. Pledge of Assets

At 31 December 2018, bank loans amounting to HK$682,843,000 (31 December 2017: HK$504,609,000) have been secured by bills receivable with an aggregate carrying value of HK$652,720,000 (31 December 2017: HK$208,678,000) and bank deposits with an aggregate carrying value of HK$102,717,000 (31 December 2017: HK$316,656,000).

At 31 December 2018, bank loans amounting to HK$1,282,687,000 (31 December 2017: HK$1,167,894,000) have been secured by bills receivable with recourse an aggregate carrying value of HK$1,282,687,000 (31 December 2017: HK$1,167,894,000).

Management Discussion and Analysis of Financial Conditions and Operating Results

At 31 December 2018, bank loans amounting to HK$317,919,000 (31 December 2017: HK$366,118,000) have been secured by property, plant and equipment with an aggregate carrying value of HK$25,272,000 (31 December 2017: HK$nil), land use rights with an aggregate carrying value of HK$56,954,000 (31 December 2017: HK$319,055,000) and bills receivable with an aggregate carrying value of HK$nil (31 December 2017: HK$24,524,000).

At 31 December 2018, bank loans amounting to HK$102,717,000 (31 December 2017: HK$35,889,000) have been secured by credit guarantee with an aggregate amount of HK$102,717,000 (31 December 2017: HK$35,889,000) provided by subsidiaries of the Group.

At 31 December 2018, bank loans amounting to HK$45,652,000 (31 December 2017: HK$nil) together with bills payable amounting to HK$180,461,000 (31 December 2017: HK $224,306,000) have been secured by restricted bank deposits with an aggregate carrying value of HK$46,014,000 (31 December 2017: HK$46,357,000), property, plant and equipment with an aggregate carrying value of HK$nil (31 December 2017: HK$1,939,000), land use rights with an aggregate carrying value of HK$238,803,000 (31 December 2017: HK$1,054,000), and bills receivable with an aggregate carrying value of HK$23,134,000 (31 December 2017: HK$nil).

15. Cash Flow

In 2018, our operating cash inflow was HK$113 million compared to HK$393 million cash outflow during the same period last year. The low net cash inflow from operating activities was mainly due to HK$503 million net cash received from discounted bills receivable with recourse rights and loans pledged with bills receivable, both of which have been accounted for as financing activities, though the bills receivables were received from sales.

In 2018, the Group received a cash inflow from investing activities of HK$24 million compared to HK$690 million cash outflow during 2017. The cash inflow from investing activities in 2018 was generated mainly from a decrease in restricted bank deposits.

The Group had a cash inflow from financing activities of HK$33 million in 2018 compared to a HK$1,090 million cash inflow from financing activities in 2017. The difference was 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 in 2018, HK$503 million was net cash received from discounted bills receivable with recourse rights and loans pledged with bills receivable.

Management Discussion and Analysis of Financial Conditions and Operating Results

In supply chain trading activities, bank acceptance bills and letter of credit payments are common payment methods. The Company discounted such bills and pledged the bills against loans before they expired, but according to applicable accounting standards, such cashflows were classified as financing cashflows and were counted as liabilities. Therefore, they affected the Company's gearing ratio and cashflows on the accounting statement date. In order to more intuitively show the company's business and assets, the impact of these changes is analysed as follows:

	2018[1] HK$'000	Adjustments HK$'000	Adjusted 2018[2] HK$'000
Cash and cash equivalents at 1 January	550,615		550,615
Net cash generated from operating activities	113,381	502,659	616,040
Net cash generated from investing activities	23,561		23,561
Net cash generated from/(used in) financing activities	33,121	(502,659)	(469,538)
Effect of foreign exchange rate changes	(21,317)		(21,317)
Cash and cash equivalents at 31 December	699,361		699,361

Note:

(1) Derived from consolidated cash flow statement of the Group's financial report.

(2) Illustrative purposes only.

Management Discussion and Analysis of Financial Conditions and Operating Results

III. WORKING CAPITAL AND FINANCIAL POLICY

The Group managed its funds by pre-planning and real-time monitoring measures. The Group raised funds through business activities, discount of notes receivable, factoring of accounts receivable, banking facilities from domestic and overseas banks, and bond financing, so as to ensure the expenditure for business operations, loan repayment and capital expenditure. In 2018, the Group's main financing methods were notes receivable, discounted letters of credit and banking facilities.

The Group has always adopted prudent and stable fund management methods. Internally, by managing the amount of funds occupation quota of each business department, we supervised the business departments to reduce the level of inventory, prepaid accounts and receivables, and demanded advance from customers when selling products and services, so as to improve the turnover rate of funds and reduce the daily working capital of the business. We actively opened up new financing channels. In 2018, we increased the factoring amount of accounts receivable. Payment by financing leasing was given priority in capital expenditure.

As the main currencies of the Company's business and operation were U.S. dollars and RMB, for the business for which purchases were made in U.S. dollars and sales made in RMB, the Company paid close attention to the RMB exchange rate. In the trend of RMB devaluation, the Company used foreign exchange derivatives to avoid exchange rate fluctuation risks and lock in business profits.

IV. RISK FACTORS

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

1. Volatility of Commodities Prices

The market prices of commodities are volatile and are 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. The combined effects of any or all of these factors on commodities prices are impossible for us to predict. There can be no assurance that global and domestic commodities prices will continue to remain at a profitable level. Under the circumstances that our business fails to remain at a profitable level, there would be material and adverse effect on our financial condition.

Management Discussion and Analysis of Financial Conditions and Operating Results

2. Dependence Upon the Steel Industry

In 2018, the revenue of the Company was mainly generated from supply chain trading services of coking coal products, which 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. In 2018, prices of steel products remained high, which had a material positive effect on the Group's performance.

3. Credit risk

The Group's credit risk is primarily attributable to trade and bills receivables. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk. Management has had a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group's exposure to credit risks is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing.

4. Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Management Discussion and Analysis of Financial Conditions and Operating Results

5. Currency risk

Over 35.23% of the Group's revenue in 2018 was denominated in Renminbi. Over 81.17% of the Group's purchase costs, and some of our operating expenses, are 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 Renminbi is translated or converted into US dollars or Hong Kong dollars. Any unfavourable movement in the exchange rate 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.

6. Fair value measurement

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

Management Discussion and Analysis of Financial Conditions and Operating Results

V. HUMAN RESOURCES

1. Employee Overview

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

As at 31 December 2018, there were 264 full-time employees in the Group (excluding 700 dispatch staff from domestic subsidiaries). Due to business growth, there was an approximately 12.88% head count increase in 2018. The breakdown of employee categories is as follows:

	2018		2017	
Functions	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Management, Administration & Finance	**83**	**31%**	143	56%
Front-line Production & Production Support & Maintenance	**44**	**17%**	43	17%
Sales & Marketing	**93**	**35%**	55	22%
Others (incl. Projects, Coal Washing Plant, Transportation)	**44**	**17%**	13	5%
Total	**264**	**100%**	254	100%

Management Discussion and Analysis of Financial Conditions and Operating Results

2. Employee Education Overview

Qualifications	2018 No. of Employees	2018 Percentage	2017 No. of Employees	2017 Percentage
Master & above	**41**	**16%**	48	19%
Bachelor	**104**	**39%**	103	41%
Diploma	**42**	**16%**	49	19%
High-School, Technical School & below	**77**	**29%**	54	21%
Total	**264**	**100%**	254	100%

3. Training Overview

The Group considers training to be an invaluable process to provide employees with information, new skills, and professional development opportunities. During the year ended 31 December 2018, the Company held various training programs totaling 439 hours, and over 3,131 attendances were recorded for these programs.

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

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

Training Overview

Training Courses	2018 No. of hours	2018 No. of participants	2017 No. of hours	2017 No. of participants
Safety	**120**	**2,512**	750	558
Management & Leadership	**245.5**	**459**	715	344
Operation Excellence	**73.5**	**160**	401	146
Total	**439**	**3,131**	1,866	1,048

Management Discussion and Analysis of Financial Conditions and Operating Results

VI. HEALTH, SAFETY AND ENVIRONMENT

The Company attaches great importance to the health and safety of employees and understands the importance of environment protection. The Lost Time Injury Frequency Rate (LTIFR), Fatality Incident Rate (FTIR) and Total Recordable Case Frequency (TRCF) are key indicators to measure how we achieve our commitment. No casualties, environmental accidents or occupational health and safety accidents occurred in 2018.

Profile of Directors and Senior Management

I. EXECUTIVE DIRECTORS: MS. CAO XINYI, MR. WANG WENGANG, MR. WANG YAXU, MR. LI JIANLOU

Ms. Cao Xinyi (曹欣怡), aged 36, is an executive Director, the chairman of the Board, and the company secretary of the Company. Ms. Cao joined the Company in 2009. She has long-term experience in the business and operations of the Company, and she has been closely involved with the financial affairs of the Company and has a great deal of experience in respect of investors' relationship since joining the Company. Before joining the Company in 2009, Ms. Cao worked at PricewaterhouseCoopers from 2005 to 2009. Ms. Cao is also a director and chairman of 20 subsidiaries of the Company, namely (1) Inner Mongolia Haotong, (2) E-Commodities (Beijing) Supply Chain Management Co., Ltd. (易大宗(北京)供應鏈管理有限公司), (3) Beijing Shacong E-commerce Co., Ltd. (北京沙聰電子商務有限公司), (4) Cheer Top Enterprises Limited, (5) Color Future International Limited, (6) Royce Petrochemicals Limited, (7) King Resources Holdings Limited, (8) Reach Goal Management Ltd, (9) Lucky Colour Limited, (10) Eternal International Logistics Limited, (11) Million Super Star Limited, (12) E-Commodities International Development (HK) Ltd, (13) E-Commodities (HK) Holdings Limited, (14) E-Commodities Logistics Co., Ltd., (15) Wisdom Elite Inc. Limited, (16) Standard Rich Inc Limited, (17) Rise Deal Enterprises Limited, (18) Great Trend Enterprises Limited, (19) Glorious Gold Holdings Limited and (20) Prospect Time Inc Limited. Ms. Cao is an independent non-executive director of Kuang Chi Science Limited (光啟科學有限公司), a company listed on the main board of the Hong Kong Stock Exchange (Stock Code: 0439). She graduated from City University of Hong Kong with a bachelor's degree in Business Administration in 2005. Ms. Cao is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Wang Wengang (汪文剛), aged 52, is an executive Director and the chief executive officer of the Company with effect from 18 July 2016. Mr. Wang served as the deputy general manager of Minmetals South-East Asia Corporation Pte. Ltd. in May 2014 and the general manager of Minmetals South-East Asia Corporation Pte. Ltd. from January 2016 to April 2016. From 1996, he was the manager of the cement department of China National Minerals Import & Export Company (中國礦產進出口公司) under China Minmetals Corporation, a deputy general manager of Minmetals Ningbo Trading Company (五礦寧波貿易公司), the general manager of Minmetals Ningbo Bonded Zone Company (五礦寧波保税區公司), a director of Minmetals Korea Co. Ltd. (韓國五礦株式會社) and head of its raw material department, the general manager of the coal department of China National Minerals Co., Ltd. and a deputy director of the raw material business department and general manager of the coal department of Minmetals Development Co., Ltd.. From 5 September 2012 to 4 September 2015, he was a director of Beijing Haohua Energy Resource Co Ltd (601101. SS), a company listed on the Shanghai Stock Exchange. Mr. Wang is the director and general manager of a subsidiary of the Company, namely Nantong Million Super Star Coking Coal Co., Ltd. (南通萬之星焦煤有限公司), and director of Cangzhou Yifeng Intelligent Logistics Co. Ltd. (滄州易豐智慧物流有限公司). Mr. Wang graduated from Shanghai University of International Business and Economics in 1989 with a bachelor's degree and received an MBA degree from Macau University of Science and Technology in 2008 and an EMBA degree from Guanghua School of Management, Peking University in 2009.

Mr. Wang Yaxu (王雅旭), aged 47, is an executive Director and the chief financial officer of the Company. Mr. Wang Yaxu joined the Group in 1995, where he was mainly responsible for financial management. He then became an employee of the Company in 2007 upon the Company's establishment and is

Profile of Directors and Senior Management

responsible for the accounting and the financial management of the Group. He is also a director and supervisor of certain subsidiaries of the Company, namely, Ejina Qi Ruyi Winsway Energy Co., Ltd. (額濟納旗如意永暉能源有限公司), Inner Mongolia Haotong, Erlianhaote Hootong Energy Co., Ltd. (二連浩特浩通能源有限公司), Shannan Rongtai Energy Co., Ltd (山南市榮泰能源有限公司), Inner Mongolia Minghua Clean Energy Co., Ltd, (內蒙古明華清潔能源有限公司) and a supervisor of Yingkou Haotong Mining Co., Ltd. (營口浩通礦業有限公司), Urad Zhongqi Yiteng Mining Co., Ltd. (烏拉特中旗毅騰礦業有限責任公司), Urad Zhongqi Tengshengda Energy Co., Ltd. (烏拉特中旗騰盛達能源有限責任公司), Bayannur Hutie Ruyi Logistics Co., Ltd. (巴彥淖爾市呼鐵如意物流有限公司), Ejina Qi Haotong Energy Co., Ltd. (額濟納旗浩通能源有限公司), Manzhouli Haotong Energy Co., Ltd. (滿洲裡浩通能源有限公 司), Baotou-city Haotong Energy Co., Ltd. (包頭市浩通能源有限責任公司), Ulanqab Haotong Energy Co., Ltd. (烏蘭察布市浩通能源有限責任公司), Erlian Winsway Mining Co., Ltd. (二連永暉礦業有限公司), Erlian Junrong Winsway Mining Co., Ltd. (二連均榮礦業有限公司), Nantong Million Super Star Coking Coal Co., Ltd. (南通萬之星焦煤有限公司), Nantong Haotong Energy Co., Ltd. (南通浩通能源有限公司), Beijing Shacong E-Commerce Inc. Ltd. (北京沙聰電子商務有限公司) and Longkou Winsway Energy Co., Ltd. (龍口市永暉能源有限公司), Nantong E-Commodities Supply Chain Management Co., Ltd. (南通易大宗供應鏈管理有限公司), Suzhou Wisdom Elite Energy Co., Ltd. (蘇州智暉智業能源有限公司), Shanghai Richway Energy Co., Ltd. (上海富多達能源有限公司), Tianjin RongZe TongLi Trading Co., Ltd. (天津榮澤同利貿易有限公司), Nantong Liheng Energy Co., Ltd. (南通利恒能源有限公司), E-Commodities (Changsha) Enterprises Co., Ltd. (易大宗(長沙)實業有限公司). E-Commodities (Tianjin) Commercial Factoring Co., Ltd. (天津易大宗商業保理有限公司) and Baofeng Finance Lease (Beijing) Co., Ltd. (寶豐融資租賃(北京)有限公司). Mr. Wang obtained a bachelor's degree in industrial management and engineering from Beijing University of Chemical Technology, and graduated with an EMBA degree from Beijing Jiaotong University in 2011.

Mr. Li Jianlou (李建樓), aged 56, is an executive director and Vice President of the Company. Mr. Li joined the Group since 1992 and is in charge of coal transport management. He has abundant experience in logistics transportation and management. Mr. Li was the general manager of Nanjing Jinhui Petroleum Storage and Transportation Co., Ltd.* (南京金暉石油倉儲運輸有限公司), vice president of Manzhouli Haitie Yonghui Storage & Transportation Co., Ltd.* (滿洲裡海鐵永暉儲運有限公司), managing director of Qinhuangdao Yonghui Petroleum Storage and Transportation Co., Ltd.* (秦皇島永暉石油儲運有限公司), managing director of Huludao Jinhui Petroleum Storage and Transportation Co., Ltd.* (葫蘆島錦暉石油儲運有限公司), deputy general manager of Beijing Chemical Industry Group (北京化工集團). Mr. Li became an employee of E-Commodities upon its establishment in 2007. He also serves as the director and chairman in certain subsidiaries of the Company, namely E-Commodities (Damao Qi) Railway Logistics Co. Ltd.(易大宗(達茂旗)鐵路物流有限公司), Inner Mongolia Hutie Winsway Logistics Co., Ltd.* (內蒙古呼鐵永暉物流有限公司), Erlianhaote Haotong Energy Co., Ltd.* (二連浩特浩通能源有限公司), Ejina Qi Ruyi Winsway Energy Co., Ltd.* (額濟納旗如意永暉能源有限公司), Bayannur Hutie Ruyi Logistics Co., Ltd.* (巴彥淖爾市呼鐵如意物流有限公司), Inner Mongolia Huayuan Logistics Company Limited* (內蒙古華遠現代物流有限責任公司), Shenhua Ganquan Railway Co., Ltd.* (神華甘泉鐵路有限責任公司) and Xigan Railway Co., Ltd.* (西甘鐵路有限責任公司). Mr. Li studied at Children School of China Institute of Atomic Energy (中國科學院原子能研究所子弟學校) from 1969 to 1980. He held position in Beijing Textile Bureau (北京市紡織局) from 1980 to 1992. In 2012, Mr. Li obtained an EMBA degree from Beijing Jiaotong University.

Profile of Directors and Senior Management

II. NON-EXECUTIVE DIRECTOR: MR. GUO LISHENG

Mr. Guo Lisheng (郭力生), aged 54, is a non-executive Director with effect from 18 July 2016. He is also a director and the chairman of Minmetals South-East Asia Corporation Pte. Ltd.. From 1993, he was the general manager of China Gulf Building Material Co., Ltd., a director and deputy general manager of Minmetals (U.K.) Ltd., a deputy general manager of Minmetals Steel Co., Ltd., the executive vice president of Minmetals Inc., a deputy general manager of the mineral resources department of China Minmetals Corporation and a deputy general manager of Minmetals Exploration & Development Co., Ltd. and the president of China Metais E Minerais (Brasil) Ltd.. Mr. Guo graduated from Xiamen University with a bachelor's degree in Economics specializing in international trade in 1984, and became a Senior International Business Engineer in 2002.

III. INDEPENDENT NON-EXECUTIVE DIRECTORS: MR. NG YUK KEUNG, MR. WANG WENFU, MR. GAO ZHIKAI

Mr. Ng Yuk Keung (吳育強), aged 54, was re-appointed as an independent non-executive Director on 15 February 2017. Mr. Ng is currently an executive director and the chief financial officer of Kingsoft Corporation Limited (Stock Code: 3888), a company listed on the Hong Kong Stock Exchange. Mr. Ng worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From 2001 to 2003, Mr. Ng was the Chief Financial Officer of the International School of Beijing-Shunyi, an academic institution in Beijing, China. He subsequently joined Australian Business Lawyers, a law firm in Australia in 2003 and was later appointed as a consultant in 2004 responsible for advising on accounting matters. From 2004 to 2006, he was the deputy chief financial officer, a joint company secretary and the qualified accountant of Irico Group Electronics Company Limited (stock code: 0438), a company listed on the Hong Kong Stock Exchange. From 2006 to 2010, Mr. Ng was a vice-president, the chief financial officer, the company secretary and the qualified accountant of China Huiyuan Juice Group Limited. From 2010 to 2012, Mr. Ng was an executive director and the chief financial officer of China NT Pharma Group Company Limited (Stock Code: 1011), a company listed on the Hong Kong Stock Exchange. From February 2007 to October 2011, Mr. Ng was the independent non-executive director of Xinjiang Xinxin Mining Industry Co., Ltd. (Stock Code: 3833), a company listed on the Hong Kong Stock Exchange. Mr. Ng graduated from The University of Hong Kong with a bachelor's degree in Social Sciences in 1988 and a master's degree in Global Business Management and E-commerce in 2002. He is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales. Set out below are the current appointments in other listed companies on the Hong Kong Stock Exchange and the New York Stock Exchange (as the case may be) which Mr. Ng has undertaken:

Position	Name of the listed company	Stock Code
Executive director and CFO	Kingsoft Corporation Limited	888
Independent non-executive director	Sany Heavy Equipment International Holdings Company Limited	631

Profile of Directors and Senior Management

Mr. Wang Wenfu (王文福), aged 52, was re-appointed as an independent non-executive Director on 15 February 2017. Mr. Wang has extensive experience in the mining industry, with international business development, cross-border mergers and acquisitions, business network establishment and international trading expertise. Before Mr. Wang joined our Group as an independent non-executive Director in 2010, he worked for Aluminum Corporation of China Ltd. ("CHALCO") (Stock Code: 2600), a company listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange and the New York Stock Exchange since 2004, and was mainly responsible for the development of CHALCO's overseas business, cross border mergers and acquisitions, foreign investment and risk management. He also acted as the President of Chinalco Overseas Holding Ltd., Director and President of Chalco Hong Kong Ltd., Chairman of Chalco Australia Pty. Ltd. and Chief Representative of CHALCO's operations in Vietnam and Indonesia. Mr. Wang graduated from the Department of Linguistics of Kunming University of Science and Technology in 1987. He also obtained a Master of Business Administration degree from Monash University in 1995 and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia in 2002.

Mr. Gao Zhikai (高志凱), aged 57, is an independent non-executive Director with effect from 18 July 2016. Mr. Gao is currently the chairman of China Energy Security Institute, a vice president of Center for China and Globalization. Mr. Gao is also a current affairs commentator with CCTV News and appears regularly on BBC, CNN, Channel News Asia, Al Jazeera, NHK, RT, and other major news media. Mr. Gao has extensive work experience in diplomacy, legal, securities regulation, investment bank, equity investment, corporate management and charity. Mr. Gao was an interpreter for Mr. Deng Xiaoping and other Chinese leaders in the 1980s and worked in the Ministry of Foreign Affairs of the People's Republic of China. He also worked in the Secretariat of the United Nations and the Hong Kong Securities and Futures Commission. Mr. Gao has held senior positions in Morgan Stanley, China International Capital Corporation and Daiwa Securities. He has also held senior corporate positions in PCCW, Henderson Group and CNOOC Limited. Mr. Gao was previously the general counsel to Saudi Aramco and other companies. Mr. Gao obtained a Juris Doctor degree from Yale Law School and a master degree in Political Science from Yale Graduate School, a master degree in English Literature from Beijing University of Foreign Studies, and a bachelor degree in English Literature from Suzhou University. Mr. Gao is a licensed attorney-at-law in the State of New York, USA.

IV. SENIOR MANAGEMENT: MS. DI JINGMIN

Ms. Di Jingmin (邸京敏), aged 47, is a Vice President of the Company. Ms. Di joined the Group Company in 1995 and serves as the deputy general manager of the resources coordination center, general manager of the management center and general manager of storage and logistics department of the Group Company. She was also the director in several joint ventures of storage and logistics cooperated by the Company and Railway. She became an employee of E-Commodities in 2007 upon its establishment and set up investment and assets department and legal affairs department. Currently, Ms. Di is mainly responsible for the comprehensive management of human resources and management platform of the Group. Ms. Di is also a director and Vice President of the Company's subsidiary in many regions, such as E-Commodities (Beijing) and Inner Mongolia Haotong of the Group. Ms. Di graduated from Beijing University of Chemical Technology with a bachelor's degree in management engineering in 1995 and subsequently obtained a Master of Laws degree from the Chinese Academy of Social Sciences in 2009.

Corporate Governance Report

The Board is committed to upholding a high standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and furthering Shareholders' interests. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfil its commitment to excellence in corporate governance.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Board has adopted the CG Code set out in Appendix 14 of the Listing Rules as its own set of corporate governance guidelines, with the additional requirement of at least 7 days' prior notice for Board meetings other than regular Board meetings (for which at least 14 days' notice is required) to give all Directors greater opportunity to attend.

The Board believes that throughout the year ended 31 December 2018, the Company has adopted, applied and complied with the code provisions under the CG Code with which listed issuers are expected to comply.

THE BOARD

The Board is the principal decision-making body of the Company. The powers and duties of the Board include convening Shareholders' meetings and reporting the Board's work at Shareholders' meetings, implementing resolutions passed at Shareholders' meetings, determining the Company's business plans and investment plans, formulating the annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles. The Board has given clear directions to the senior management as to the matters that must be approved by the Board before decisions are made on behalf of the Company.

Corporate Governance Report

The Board consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The Board considers that it has maintained a balanced composition of executive directors and non-executive directors (including independent non-executive directors). The non-executive Director and three independent non-executive Directors participate actively in the formulation of the Company's policies and seek to represent the interests of the Shareholders as a whole. During the year ended 31 December 2018 and up to the date of this report, the composition of the Board is as follows:

Executive Directors

Ms. Cao Xinyi (Chairman)
Mr. Wang Wengang
Ms. Zhu Hongchan (resigned on 29 Mar 2018)
Mr. Wang Yaxu
Mr. Li Jianlou (appointed on 30 Mar 2018)

Non-executive Directors

Mr. Guo Lisheng

Independent non-executive Directors

Mr. Ng Yuk Keung
Mr. Wang Wenfu
Mr. Gao Zhikai

During the year ended 31 December 2018, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, the number of which must represent at least one-third of its Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Biographical details of the Directors and senior management of the Company are set out in the section headed "Profile of Directors and Senior Management" on pages 23 to 26 of this annual report.

Corporate Governance Report

The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Company's business. There was no material financial, business, family or other relevant relationship among members of the Board.

During 2018, 4 full board meetings and 1 general meeting were held. The following is the attendance record of the board meetings held by the Board during 2018:

Name of Director	Attendance/ Number of general meetings attended	Attendance/ Number of board meetings attended
Executive Directors		
Cao Xinyi (Chairman)	1/1	4/4
Wang Wengang	0/1	4/4
Zhu Hongchan (resigned on 29 March 2018)	0/1	1/4
Wang Yaxu	0/1	4/4
Li Jianlou (appointed on 30 March 2018)	0/1	3/4
Non-executive Directors		
Guo Lisheng	0/1	4/4
Independent non-executive Directors		
Ng Yuk Keung	0/1	4/4
Wang Wenfu	0/1	3/4
Gao Zhikai	0/1	4/4

Sufficient notice convening the board meetings was given to the Directors setting out the matters to be discussed. All Directors were given an opportunity to include matters in the agenda for the Board meetings and have access to the secretary to the Board to ensure that all Board procedures and all applicable rules and regulations were followed. At the meeting, the Directors were provided with the relevant documents to be discussed and approved. The secretary to the Board is responsible for keeping minutes for the Board meetings.

Each of Ms. Cao Xinyi and Mr. Wang Yaxu has entered into a service contract with the Company to renew their term of office, respectively, as an executive Director for of three years with effect from 1 July 2016. Mr. Wang Wengang has entered into a service contract as an executive Director for a term of three years with effect from 18 July 2016. Mr. Li Jianlou has entered into service a contract as an executive Director for a term of three years with effect from 30 March 2018. Each of Mr. Guo Lisheng and Mr. Gao Zhikai entered into an appointment letter, as the non-executive Director and an independent non-executive Director, respectively, for a term of three years with effect from 18 July 2016. Mr. Ng Yuk Keung and Mr. Wang Wenfu were re-appointed as independent non-executive Directors for a term of three years from 1 June 2018.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Board, Ms. Cao Xinyi, has executive responsibilities and provides leadership to the Board in terms of establishing policies and business direction. She ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. She also ensures that all Directors are properly briefed on issues to be discussed at board meetings. Mr. Wang Wengang, the chief executive officer, is responsible for overseeing the day-to-day management of the Group's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, law, banking and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

The participation of the independent non-executive Directors in the Board brings independent judgment on the issues relating to the Group's strategy, conflicts of interest, connected transactions and management process in order to ensure that the interests of all Shareholders have been duly considered.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules 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 year ended 31 December 2018.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

According to the Memorandum and Articles, at each annual general meeting one-third of the Directors are subject to retirement by rotation or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. Every Director shall be subject to retirement at an annual general meeting at least once every three years. Any other appointment, resignation, removal or re-designation of Director will be disclosed in a timely manner to the Shareholders by announcement and shall include in such announcement the reasons given by the Director for his/her resignation.

On 29 March 2018, Ms. Zhu Hongchan tendered her resignation as an executive Director as she would like to focus on the coking coal business of the Group and devote more time to its development. Following her resignation, Ms. Zhu Hongchan remained in her position as an employee of the Company.

Corporate Governance Report

On 30 March 2018, Mr. Li Jianlou was appointed as an executive Director for a term of 3 years commencing from 30 March 2018. Mr. Li Jianlou was re-elected at the annual general meeting held on 27 June 2018 in accordance with the Articles of Association.

For further details, please refer to the announcements of the Company dated 29 March 2018.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code on 7 September 2010 and revised the written terms of reference on 26 March 2012, 31 December 2015 and 27 December 2018. 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 of the Group, overseeing the audit process and acting as the key representative body for overseeing the Group's relations with the external auditor and performing other duties and responsibilities as assigned by the Board from time to time. The audit committee currently comprises the three independent non-executive Directors, Mr. Ng Yuk Keung (Chairman), Mr. Wang Wenfu and Mr. Gao Zhikai.

For the year ended 31 December 2018, the audit committee held 2 meetings, at which members of the audit committee reviewed and discussed with the external auditors and the management of the Group's interim financial results and reports in respect of the first half year of 2018, and the annual financial results and reports in respect of the year ended 31 December 2017, and are of the opinion that such financial statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure has been made.

Corporate Governance Report

The attendance records of the audit committee for the year ended 31 December 2018 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Ng Yuk Keung	2/2
Mr. Wang Wenfu	2/2
Mr. Gao Zhikai	2/2

AUDITORS' REMUNERATION

For the year ended 31 December 2018, the fees paid/payable in respect of audit and non-audit services provided by KPMG, the Group's external auditors, are set out below:

Service	Sum (HK$'000)
Audit services	5,922
Other services	17
	5,939

The audit committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

The Company provided each newly appointed Director with formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities from time to time. The Company will arrange training and professional development for Directors as and when necessary. Individual Directors also participated in courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or reading relevant materials.

Corporate Governance Report

During the year ended 31 December 2018, the Directors confirmed that they have participated in training and continuous professional development activities and a summary is provided as follows:

Name of Director	Type of continuous professional development programmes
Executive Directors	
Ms. Cao Xinyi (Chairman)	1,2,3
Mr. Wang Wengang	1,2,3
Mr. Wang Yaxu	1,2,3
Mr. Li Jianlou (appointed on 30 March 2018)	1,2,3
Non-executive Directors	
Mr. Guo Lisheng	1,2,3
Independent non-executive Directors	
Mr. Ng Yuk Keung	1,2,3
Mr. Wang Wenfu	1,2,3
Mr. Gao Zhikai	1,2,3

Notes:

1. Reading materials and updates relating to the latest developments of the Listing Rules and other applicable regulatory requirements.

2. Attending seminars/training workshops offered by external professionals and/or experts.

3. Internal group discussions on updates relating to general economy, business trend, corporate governance, directors' duties and the latest development of the Listing Rules and other applicable regulatory requirements.

Corporate Governance Report

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company deploys appropriate and sufficient resources to prepare audited accounts. Senior management is required to present and explain the financial reporting and matters that materially affect or may have a material impact on the financial performance and operations of the Company to the audit committee and the Board and respond to the queries and concerns raised by the audit committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the financial statements include applicable disclosure required by the Listing Rules and by the Hong Kong Companies Ordinance. The reporting responsibility of the external auditors of the Company on the financial statements of the Group is set out in the independent auditor's report on pages 53 to 60 of this annual report.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 7 September 2010 with written terms of reference in compliance with the CG Code. The remuneration committee currently comprises two independent non-executive Directors, namely, Mr. Wang Wenfu (chairman) and Mr. Ng Yuk Keung and one executive Director, Ms. Cao Xinyi. 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 arrangements.

The remuneration committee held 1 meeting during the year ended 31 December 2018, at which the members of the committee reviewed the remuneration and bonus plan 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/her own remuneration.

The attendance records of the remuneration committee for the year ended 31 December 2018 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Wang Wenfu	1/1
Mr. Ng Yuk Keung	1/1
Ms. Cao Xinyi	1/1

Details of the Directors' remuneration are set out in note 9 to the financial statements.

Corporate Governance Report

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Company established a nomination and corporate governance committee on 7 September 2010 with written terms of reference as recommended under the CG Code. The nomination and corporate governance committee comprises two independent non-executive Directors, namely, Mr. Gao Zhikai (Chairman) and Mr. Ng Yuk Keung and one executive Director, Ms. Cao Xinyi. The primary function of the nomination and corporate governance committee is to formulate and implement the nomination policy laid down by the Board to oversee the composition, structure and evaluation of the Board and its committees and to develop, recommend to the Board and oversee the implementation of corporate governance principles and policies. The Board has adopted policy of nomination, setting out the standards and procedures for nomination and appointment of directors, to ensure the continuity of the Board and maintain its leadership, for the nomination of candidates for directorship of the Company by considering the skills, experience, professional knowledge, personal integrity and time commitment of such individuals, the Company's needs and other relevant statutory requirements and regulations.

The nomination and corporate governance committee held 2 meetings during the year ended 31 December 2018, at which the members of the committee reviewed and discussed the composition and structure of the Board and also evaluated the performance of the Board and its committees.

The Company has adopted the Board diversity policy, pursuant to which, in reviewing and assessing the Board composition and the nomination of directors, Board diversity has to be considered from a number of aspects, including but not limited to the gender, age, cultural and educational background, professional qualifications and skills, knowledge and industry and regional experience. The nomination and corporate governance committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy.

The attendance records of the nomination and corporate governance committee for the year ended 31 December 2018 are set out below:

Name of Director	**Attendance/ Number of Meetings**
Mr. Gao Zhikai	2/2
Mr. Ng Yuk Keung	2/2
Ms. Cao Xinyi	2/2

Corporate Governance Report

HEALTH AND SAFETY AND ENVIRONMENTAL COMMITTEE

The Company established a health and safety and environmental committee on 7 September 2010 with written terms of reference. The health and safety and environmental committee comprises two non- executive Directors, Mr. Gao Zhikai and Mr. Wang Wenfu and one executive Director, Mr. Wang Yaxu (Chairman). The primary function of the health and safety and environmental committee is to advise and assist the Board with respect to health, safety and environmental matters.

The health and safety and environmental committee held 2 meetings during the year ended 31 December 2018, at which the members of the committee reviewed and discussed health and safety strategy and implementation plan of the Company.

The attendance records of the health and safety and environmental committee for the year ended 31 December 2018 are set out below:

Name of Director	**Attendance/ Number of Meetings**
Mr. Gao Zhikai	2/2
Mr. Wang Wenfu	2/2
Mr. Wang Yaxu	2/2

INTERNAL CONTROL

The internal control system has been designed to safeguard the assets of the Group, maintain proper accounting records, and to ensure execution with appropriate authority and compliance with relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management and internal control system. During the year ended 31 December 2018, the Board carried out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to minimize the risks to which the Group is exposed and used as a management tool for the day-to-day operation of the business. All purchase and sales contracts need to be reviewed by finance and legal departments before signing. The Group uses ERP system to track and record business invoices, and accounting entries will be generated from the system automatically. During execution, revenue and cost data are regularly being collected and examined with each business department to ensure the truthfulness and accuracy of the records. This allows us to monitor the operations of each business unit. The preparation process of the financial statements includes division of labor, authorisation and review. Only authorised individuals have access to prepare and modify the financial statements. The system can only provide reasonable but not absolute assurance against misstatements or losses. For the year ended 31 December 2018, the Board considers that the Group's internal control system was adequate and effective and that the Company complied with the CG Code with respect to its internal controls.

Corporate Governance Report

COMPANY SECRETARY

Ms. Cao Xinyi, the company secretary and also an executive Director and chairman of the Board, supports the Board and each of the Board committees by ensuring good information flow and that policies and procedures of the Board and the relevant Board committees are followed. Ms. Cao advises the Board on governance matters and facilitates the induction and professional development of Directors. As the company secretary, Ms. Cao also plays an essential role in the relationship between the Company and its Shareholders, including assisting the Board in discharging its obligations to the Shareholders pursuant to the Listing Rules.

In compliance with Rule 3.29 of the Listing Rules, Ms. Cao confirmed that she has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2018.

CONVENING AND PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

According to the Articles of Association, Shareholders who request for the convening of an extraordinary general meeting shall comply with the following procedures:

- General meetings may be convened on the written requisition of any two or more Shareholders deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office, specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the nominal value of the issued Shares which carries the right of voting at general meetings of the Company.

- General meetings may also be convened on the written requisition of any one Shareholder which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office, specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the nominal value of issued shares in the Company which carries the right of voting at general meetings of the Company.

- If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Corporate Governance Report

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary or relevant personnel by mail to the Company's principal place of business in Hong Kong at the following address:

Unit 1902, Floor 19,
Far East Finance Centre
16 Harcourt Road, Admiralty
Hong Kong

The company secretary and relevant personnel shall, on a regular basis, report the Shareholder's enquiries and concerns to the Board and/or relevant Board committees of the Company and where appropriate, respond to such enquiries.

DIVIDEND POLICY

On 27 December 2018, the Board approved and adopted a dividend policy, pursuant to which, in recommending or declaring dividend, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board has the discretion to declare and distribute dividends to Shareholders, subject to the Articles of Association and all applicable laws and regulations. In recommending or declaring dividend, the Board shall take into account, among others, the Group's financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on payment of dividends by the Company to Shareholders or by its subsidiaries to the Company, taxation consideration and any other factors that the Board may consider relevant.

For the three years ended 31 December 2018, The Board approved and adopted a dividend payout ratio of 25% for declaration and payment of final dividend to the Shareholders, the details of which are as follows:

	Dividend per share	**Dividend in cash**
	HK$	*HK$'000*
2016	0.077	242,497
2017	0.072	226,343
2018	0.072	218,497

Report of the Directors

Dear Shareholders,

The Board is pleased to present its report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018 prepared in accordance with IFRSs.

PRINCIPAL ACTIVITIES

The Company was incorporated in the BVI as a limited liability company on 17 September 2007. The Shares were listed on the Main Board on 11 October 2010.

The Group is principally engaged in the processing and trading of coal and other products and providing logistics services throughout the commodity supply chain. Details of the Company's principal subsidiaries as at 31 December 2018 are set out in note 17 to the financial statements set out in this annual report.

OPERATING RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on pages 61 to 63 of this annual report.

Further discussion and analysis of of the Group's performance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business are set out on pages 2 to 22 of this annual report. This discussion forms part of the directors' report.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 66 to 67 of this annual report.

As at 31 December 2018, there are no reserves available for distribution to Shareholders (31 December 2017: nil).

Subject to the BVI Business Companies Act 2004, the Company may declare final dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. The Articles of Association provide that dividends may be declared and paid out if the Directors are satisfied, on reasonable grounds, that, immediately after the payment of the dividends, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.

The reserves of the Group available for distribution depend on the dividend distributable by the Company's subsidiaries. Regulations in the PRC currently permit distribution by way of dividends by the PRC subsidiaries only out of accumulated profits as determined in accordance with the PRC generally accepted accounting principles. These distributable profits differ from those that are reflected in the Group's financial statements prepared in accordance with the IFRSs.

Report of the Directors

DIVIDENDS

A final dividend in cash of HK$0.072 per share has been declared for the year ended 31 December 2018.

The Company will dispatch a circular containing, among other things, further information relating to the proposed distribution of final dividend and the forthcoming annual general meeting as soon as possible.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 178 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2018 are set out in note 13 to the financial statements set out in this annual report.

SHARE CAPITAL

The Shares are without par value. Details of the movements in number of authorised and issued Shares during 2018 are set out in note 30 to the financial statements set out in this annual report.

LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in notes 25 and 26 to the financial statements set out in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Most of the Group's products are sold to steel mills in China. For the year ended 31 December 2018, sales to the Group's five largest customers accounted for 42.05% of the total revenue of the Group. The largest customer was accounted for 16.12% of the total revenue of the Group.

For the year ended 31 December 2018, total procurement amount of commodities was HK$31,047 million, of which, the top five suppliers accounted for 40.32%. The largest supplier accounted for 16.18% of the total procurement amount.

Save as disclosed above, at no time during the year had the Directors, their associates or any Shareholder (who to the knowledge of the Directors own(s) more than 5% of the number of issued Shares) had any interest in these major customers and suppliers.

Report of the Directors

DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

The Directors during the year and up to the date of this report of the Directors are as follows:

Name	Position
Executive Director	
Ms. Cao Xinyi	Executive Director and Chairman of the Board
Mr. Wang Wengang	Executive Director and Chief Executive Officer
Ms. Zhu Hongchan (resigned on 29 March 2018)	Executive Director
Mr. Wang Yaxu	Executive Director and Chief Financial Officer
Mr. Li Jianlou (appointed on 30 March 2018)	Executive Director
Non-executive Director	
Mr. Guo Lisheng	Non-executive Director
Independent Non-executive Director	
Mr. Ng Yuk Keung	Independent Non-executive Director
Mr. Wang Wenfu	Independent Non-executive Director
Mr. Gao Zhikai	Independent Non-executive Director

Biographical details of the current Directors and the senior management of the Company are set out in the section headed "Profile of Directors and Senior Management" on pages 23 to 26 in this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has entered into any service agreements with the Company or any other member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 32 to the consolidated financial statements, none of the Directors and controlling shareholders of the Company had a material beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

CONNECTED TRANSACTIONS

The Company did not have any connected transactions which need to be disclosed during the year ended 31 December 2018.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company receive compensation in the form of fees, salaries, allowances, share-based incentive payments, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to the Company or discharging their duties in relation to the operations of the Company. When reviewing and determining the specific remuneration packages for executive Directors, the remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Director, employment elsewhere in the Group and desirability of performance-based remuneration.

Details of the remuneration of the Directors are set out in note 9 to the financial statements set out in this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent in accordance with the guidelines set out in the Listing Rules.

Report of the Directors

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

As at 31 December 2018, 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 SFO which (a) were required to be notified to the Company and Hong Kong 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 Hong Kong Stock Exchange, were as follows:

Name of Director	Name of corporation	Nature of interest	Aggregate number of Shares or underlying Shares	Approximate percentage of interest in the corporation[1]
Cao Xinyi	The Company	Beneficial owner	8,083,142[2]	0.26%
Wang Wengang	The Company	Beneficial owner	8,151,612[3]	0.27%
Wang Yaxu	The Company	Beneficial owner	6,767,291[4]	0.22%
Li Jianlou	The Company	Beneficial owner	4,117,806[5]	0.13%

Note:

(1) The percentage shareholding of the Company is calculated on the basis of 3,066,722,356 Shares in issue as at 31 December 2018, as the denominator.

(2) Ms. Cao Xinyi holds RSU Awards in respect of 2,819,708 underlying Shares.

(3) Mr. Wang Wengang holds RSU Awards in respect of 2,819,708 underlying Shares.

(4) Mr. Wang Yaxu holds RSU Awards in respect of 2,819,708 underlying Shares.

(5) Mr. Li Jianlou was appointed as an executive Director with effect from 30 March 2018 and holds RSU Awards in respect of 704,927 underlying Shares, and is deemed to be interested in 2,017,000 Shares held by his spouse.

Report of the Directors

Save as disclosed above, as at 31 December 2018, so far as is known to any Directors 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 Hong Kong 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 Hong Kong Stock Exchange.

SHARE-BASED INCENTIVE PLANS

Restricted Share Unit Scheme

Under the Restricted Share Unit Scheme, the Company may grant 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.

Report of the Directors

During the year ended 31 December 2018, 22,990,224 RSU Awards were granted by the Company under the RSU Scheme. As at 31 December 2018, an aggregate number of 9,164,051 outstanding and unvested RSU Awards were held by Directors. The details of RSU Awards granted during the year ended 31 December 2018 are set out below:

	RSU Awards held as at 1 January 2018	RSU Awards granted as at 19 January 2018	RSU Awards granted as at 20 July 2018	RSU Awards vested during the year	RSU Awards lapsed/ cancelled during the year
Directors					
CAO Xinyi	2,008,119	1,778,337	2,819,708	3,786,456	0
WANG Wengang	2,008,119	1,778,337	2,819,708	3,786,456	0
ZHU Hongchan[1]	17,069,012	1,778,337	2,819,708	18,847,349	0
WANG Yaxu	1,506,089	1,333,753	2,819,708	2,839,842	0
LI Jianlou[2]	502,030	444,584	704,927	946,614	0
Others					
Grantees other than Directors[3]	2,008,119	1,778,336	2,114,781	3,786,455	0
Total	**25,101,488**	**8,891,684**	**14,098,540**	**33,993,172**	**0**

Note:

(1) On 29 March 2018, Ms. Zhu Hongchan resigned as an executive Director.

(2) On 30 March 2018, Mr. Li Jianlou was appointed as an executive Director.

(3) Number of RSU Awards granted and vested in respect of the grantees other than Directors excluding the RSU Awards of Ms. Zhu Hongchan and Mr. Li Jianlou.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2018, Shareholders 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)	48.91%
Famous Speech	The Company	Beneficial Owner	1,500,080,608 (L)	48.91%
Wang Xingchun[3][4]	The Company	Interest of corporation controlled by the substantial shareholder	56,412,505 (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	1,556,493,113 (L)	50.75%

Report of the Directors

Name of Shareholder	Name of Corporation	Nature of Interest	Aggregate number of Shares(1)	Approximate percentage of interest in the corporation(8)
Winsway Group Holdings(3)(5)	The Company	Interest of corporation controlled by the substantial shareholder	56,412,505 (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	1,556,493,113 (L)	50.75%
China Minmetals Corporation(6)	The Company	Interest of corporation controlled by the substantial shareholder	1,503,195,952 (L)	49.02%
Magnificent Gardenia(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)	48.91%
Lord Central Opportunity VII Limited	The Company	Beneficial Owner	550,282,828 (L)(7)	17.94%
Pacific Alliance Asia Opportunity Fund L.P.	The Company	Interest of corporation controlled by the substantial shareholder	550,282,828 (L)(7)	17.94%
Pacific Alliance Group Asset Management Limited	The Company	Interest of corporation controlled by the substantial shareholder	550,282,828 (L)(7)	17.94%

Report of the Directors

Name of Shareholder	Name of Corporation	Nature of Interest	Aggregate number of Shares[1]	Approximate percentage of interest in the corporation[8]
Pacific Alliance Investment Management Limited	The Company	Interest of corporation controlled by the substantial shareholder	550,282,828 (L)[7]	17.94%
Pacific Alliance Group Limited	The Company	Interest of corporation controlled by the substantial shareholder	550,282,828 (L)[7]	17.94%
PAG Holdings Limited	The Company	Interest of corporation controlled by the substantial shareholder	550,282,828 (L)[7]	17.94%

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 directly controls 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, Winsway Resources Holdings, Great Start, Winsway International Petroleum & Chemicals and Famous Speech have entered into an agreement which is covered by s.317 and s.318 of the 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 Resources Holdings and is deemed to be interested in the 56,412,505 Shares held by Winsway Resources Holdings.

(5) Winsway Group Holdings directly holds the entire issued share capital of Winsway Resources Holdings and is deemed to be interested in the 56,412,505 Shares held by Winsway Resources Holdings. Mr. Wang Xingchun is the sole director of Winsway Group Holdings.

(6) China Minmetals Corporation ("**China Minmetals**") is deemed to be interested in 1,503,195,952 Shares. 3,115,344 of such Shares are held by certain other companies that were controlled directly or indirectly by China Minmetals, and China Minmetals is 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 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 adjusted conversion price of HK$0.72 per conversion share, and the rights attaching to the warrants are exercised in full at the adjusted subscription price of HK$0.908 per warrant share, 550,282,828 Shares 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%.

(8) The percentage shareholding of the Company is calculated on the basis of 3,066,722,356 Shares in issue, as at 31 December 2018, as the denominator and the number of Shares that each substantial shareholder is interested in as the numerator.

Save as disclosed above, as at 31 December 2018, 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.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2018.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance (as that term is used in Appendix 16 of the Listing Rules) in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Save as disclosed in this annual report, no contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

Save as disclosed in this annual report, no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

Report of the Directors

CONVERTIBLE BONDS

On 14 September 2017, the Company issued convertible bonds in an aggregate principal amount of US$40,000,000 together with 118,060,606 warrants to Lord Central Opportunity VII Limited. The net proceeds, after deducting all relevant costs and expenses, were approximately HK$306 million.

As at 31 December 2018, approximately HK$306 million of net proceeds from the issue of the convertible bonds had been fully utilised as follows:

HK$ million

Usage	**Amount of proceeds proposed to be applied**	**Amount of proceeds applied as at 31 December 2018**
Maintenance and upgrading current logistics and processing facilities	100	100
Increased working capital needs for the supply chain services provided for the coal sector	50	50
Working capital for services and trading of commodities other than coal	150	150
Other activities within the normal course of the Company's business	6	6

The abovementioned use is consistent with the intended use of proceeds as disclosed in the circular of the Company dated 6 July 2017.

AUDIT COMMITTEE

The audit committee consists of three independent non-executive Directors, Mr. Ng Yuk Keung (chairman), Mr. Wang Wenfu and Mr. Gao Zhikai.

The audit committee has reviewed, together with the management of the Company, the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the financial statements of the Group for the year ended 31 December 2018.

Report of the Directors

PRE-EMPTIVE RIGHTS

There are no applicable provisions for pre-emptive rights under the Articles of Association or the BVI Business Companies Act 2004 under which the Company is incorporated.

MODEL CODE FOR SECURITIES TRANSACTIONS

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, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2018.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the CG Code. Throughout the year ended 31 December 2018, save as disclosed in the Corporate Governance Report in this annual report, the Company has complied with all the applicable code provisions as set out in the CG Code. For details of the corporate governance practice of the Company, please refer to the Corporate Governance Report on pages 27 to 38 of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the ordinary course of business are set out in note 32 to the financial statement set out in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

Report of the Directors

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

Repurchase of shares

As at 31 December 2018, the Company had a total of 3,066,722,356 Shares in issue. The Company repurchased a total of 55,152,000 Shares on the Hong Kong Stock Exchange during the year ended 31 December 2018 pursuant to the repurchase mandate approved by the Shareholders at the annual general meeting held on 27 June 2018. Such repurchased shares have already been cancelled and the total number of Shares in issue has been reduced accordingly.

Details of the repurchases are summarised as follows:

Year of the repurchase	Total number of Shares repurchased	Repurchased price per Share		Aggregate consideration (HK$)
		Highest (HK$)	Lowest (HK$)	
2018	55,152,000	0.500	0.365	25,427,000

Except as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of their duty in their offices or otherwise in relation thereto. Such permitted indemnity provision was in force throughout the year ended 31 December 2018. The Company arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company for the year ended 31 December 2018.

On behalf of the Board
Cao Xinyi
Chairman

28 March 2019

Independent auditor's report

Independent auditor's report to the shareholders of E-Commodities Holdings Limited
(incorporated in the British Virgin Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of E-Commodities Holdings Limited (**"the Company"**) and its subsidiaries (**"the Group"**) set out on pages 61 to 173, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (**"IFRSs"**) issued by the International Accounting Standards Board (**"IASB"**) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

In our auditor's reports on the Group's financial statements for the years ended 31 December 2016 and 31 December 2017, we reported a limitation in the scope of our audit relating to an impairment loss provision made against an outstanding loan due from Moveday Enterprises Limited (**"Moveday"**), 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. These impairment provisions as 31 December 2016 and 31 December 2017 amounted to US$15.5 million (equivalent to approximately $120,260,000) and US$10.16 million (equivalent to approximately $79,373,000) respectively. These amounts represented full provision of the respective outstanding amounts due from Moveday as at those dates.

Independent auditor's report

During the year ended 31 December 2017, the directors of the Company recovered loan principal of US$5.34 million (equivalent to approximately $41,692,000) from Moveday and recognised a gain on recovery of this amount in the consolidated statement of profit or loss. As we were unable to obtain sufficient appropriate audit evidence to complete our audit of the opening balance of the impairment provision as at 1 January 2017 or the closing balance of the impairment provision as at 31 December 2017, we were also unable to satisfy ourselves that the amounts recognised in the consolidated statement of profit or loss for the year ended 31 December 2017 were in accordance with the applicable accounting framework. We therefore expressed a qualified opinion in this regard in our report dated 22 March 2018.

As disclosed in note 20 to these financial statements, during the year ended 31 December 2018, the directors of the Company recovered a further amount of loan principal of US$7.42 million (equivalent to approximately $57,888,000) from Moveday and recognised a gain on recovery of this amount in the consolidated statement of profit or loss. The directors of the Company also reversed the remaining impairment provision of US$2.74 million (equivalent to approximately $21,485,000). In total a gain of $79,373,000 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2018 in respect of the recovery of the loan due from Moveday. In January 2019, the Group recovered the remaining loan principal of US$2.74 million (equivalent to approximately $21,485,000).

As a result of these events during 2018 and early 2019, we were able to satisfy ourselves in respect of the carrying amount of the outstanding amount due from Moveday of US$2.74 million (equivalent to approximately $21,485,000) as at 31 December 2018. However, in the absence of sufficient appropriate audit evidence in connection with the impairment loss provisions recognised as at 31 December 2016 and 31 December 2017, we are still unable to satisfy ourselves that the impairment provisions as at 31 December 2016 and 31 December 2017 were free from material misstatement.

Any change to the impairment provisions as at those dates would affect the profit for the years ended 31 December 2017 and 31 December 2018. Therefore, had we been able to complete our audit of the opening balances and corresponding amounts, matters might have come to our attention indicating that adjustments might be necessary to the consolidated statement of profit or loss for the year ended 31 December 2018 and in addition, the corresponding amounts for the year ended 31 December 2017 may not be comparable to the current period.

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

Independent auditor's report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Assessment of the Group's ability to continue as a going concern

Refer to note 2 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The consolidated financial statements have been prepared on a going concern basis. In adopting the going concern basis of preparation of the consolidated financial statements, 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 coal and other products and the rendering of logistics services, gross margins, operating expenses, capital expenditure, finance costs, working capital requirements and the availability of borrowing facilities. The assumptions and estimations were based on the Group's business performance for the year ended 31 December 2018 and management's expectations of developments in the coal market. In preparing the cash flow projections, management assumed that the coal market conditions during the year ended 31 December 2018 would continue and, on that basis, developed assumptions relating to future coal selling prices, fluctuations in future coal procurement prices and future sales volumes.	Our audit procedures to assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern included the following: • obtaining the Group's cash flow projections covering a period of not less than twelve months from the reporting period end date and challenging these key assumptions used in preparing the projections (including future coal selling prices, future coal procurement prices, future sales volumes, future production volumes and costs, future operating expenses, future planned capital expenditure and the availability of borrowing facilities) based on historical production information together with market and other externally available information; • evaluating the sensitivity of the projected available cash by considering downside scenarios together with reasonably plausible changes to the key assumptions and considering whether there were any indicators of management bias in the selection of the assumptions;

Independent auditor's report

The Key Audit Matter	How the matter was addressed in our audit
We identified the assessment of the Group's ability to continue as a going concern as a key audit matter because the assessment involves consideration of future events which are inherently uncertain and because the assessment requires the exercise of significant management judgment in assessing future cash inflows/outflows which could be subject to potential bias.	• inspecting the facility agreements for the Group's long-term loans to identify any financial covenants or similar terms and assessing the implication of these on the Group's liquidity; • assessing the disclosures in the consolidated financial statements in relation to the going concern basis of accounting with reference to the requirements of the prevailing accounting standards.

Recognition of revenue

Refer to note 4 to the consolidated financial statements and the accounting policies on page 102.

The Key Audit Matter	How the matter was addressed in our audit
The Group has the following principal sources of revenue: – the trading of coal and other products under framework contracts signed with certain third party companies pursuant to which those third party companies act as agents of the Group to sign sales and purchase contracts with customers and suppliers whilst the Group is responsible for identifying customers and suppliers and negotiating and determining the price, quantity of the commodities and transportation and payment terms with both customers and suppliers respectively (the **"Framework Contracts"**); – the importing, processing and trading of coal; and – the rendering of logistics services.	Our audit procedures to assess the recognition of revenue included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue; • inspecting significant new sales contracts entered into during the year to obtain an understanding of the contract terms, in particular, those relevant to the timing and amount of revenue recognised with reference to the Group's revenue recognition accounting policies; • considering the Group's revenue recognition accounting policies, including those for the trading of coal under the Framework Contracts, with reference to the requirements of the prevailing accounting standards;

Independent auditor's report

The Key Audit Matter	How the matter was addressed in our audit
These sources of revenue have differing trade terms and revenue recognition criteria and the accounting systems handle a high volume of individual transactions all of which increase the risk that errors may be made in the recognition of revenue. We identified recognition of revenue as a key audit matter because revenue is a key performance measure for the Group and a key driver of the gross margin which increases the risk that revenue may be manipulated to meet targets and expectations and because the volume of transactions and differing trade terms increase the risk of errors in the recognition of revenue.	• selecting a sample of sales transactions recorded during the reporting period and just after the end of the reporting period and comparing the details with the underlying sales invoices, sales contracts and relevant documentation evidencing the date of delivery and acceptance of the goods or services, such as bills of lading, shipping documents, proof of delivery and proof of acceptance, to assess whether the related revenue has been recognised in the appropriate accounting period in accordance with the Group's revenue recognition accounting policies; • requesting confirmations from the Group's customers, on a sample basis, to confirm the sales transaction amounts and quantities sold during the reporting period and investigating the reasons for any differences between the amounts confirmed and the amounts in the Group's accounting records by discussion with management and inquiry with related customers; for unreturned confirmations, we inspected the entire population of the sales transactions with the associated customers by comparing the details with underlying sales invoices, sales contracts and relevant documentation evidencing the date of delivery and acceptance of the goods or services, such as bills of lading, shipping documents, proof of delivery and proof of acceptance; • inspecting manual adjustments to revenue during the reporting which met certain risk–based criteria and inquiring of management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

Independent auditor's report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained the Management Discussion and Analysis prior to the date of this auditor's report. This remaining information is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent auditor's report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made 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.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent auditor's report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Cheung Tsz Chung*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2019

Consolidated statement of profit or loss

for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	**2018** **$'000**	2017 (Note) $'000
Revenue	4	**32,817,456**	20,877,959
Cost of sales		**(31,202,391)**	(19,056,550)
Gross profit		**1,615,065**	1,821,409
Other revenue	5	**3,838**	5,126
Distribution costs		**(195,052)**	(295,504)
Administrative expenses		**(444,706)**	(377,546)
Other operating income/(expenses), net	6	**60,103**	(236)
Reversal of impairment of non-current assets	7(c)	**79,373**	8,905
Profit from operations		**1,118,621**	1,162,154
Finance income		**41,803**	6,697
Finance costs		**(235,147)**	(155,793)
Net finance costs	7(a)	**(193,344)**	(149,096)
Share of loss of associates		**(1,564)**	(275)
Profit before taxation		**923,713**	1,012,783
Income tax	8	**(30,687)**	(108,737)
Profit for the year		**893,026**	904,046

Consolidated statement of profit or loss

for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 (Note) $'000
Profit attributable to:			
Equity shareholders of the Company		**879,772**	904,742
Non-controlling interests		**13,254**	(696)
Profit for the year		**893,026**	904,046
Earnings per share	12		
Basic (HK$)		**0.286**	0.293
Diluted (HK$)		**0.259**	0.285

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 70 to 173 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 30(b).

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	2018	2017 (Note)
	$'000	$'000
Profit for the year	**893,026**	904,046
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	**(4,459)**	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(155,685)**	152,760
Other comprehensive income for the year	**(160,144)**	152,760
Total comprehensive income for the year	**732,882**	1,056,806
Total comprehensive income attributable to:		
Equity shareholders of the Company	**721,510**	1,053,356
Non-controlling interests	**11,372**	3,450
Total comprehensive income for the year	**732,882**	1,056,806

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 70 to 173 form part of these financial statements.

Consolidated statement of financial position

at 31 December 2018
(Expressed in Hong Kong dollars)

	Note	**At 31 December 2018 $'000**	At 31 December 2017 (Note) $'000
Non-current assets			
Property, plant and equipment, net	13	**489,933**	340,465
Construction in progress	14	**69,486**	8,350
Lease prepayments	15	**442,052**	476,791
Intangible assets	16	**110,312**	104,953
Interest in associates	18	**11,371**	17,019
Other investments in equity securities	19	**107,565**	125,348
Receivables under finance leases		**–**	3,828
Other non-current assets	20	**–**	–
Total non-current assets		**1,230,719**	1,076,754
Current assets			
Inventories	21	**1,104,851**	621,352
Trade and other receivables	22	**4,288,313**	3,386,636
Receivables under finance leases		**1,992**	1,914
Restricted bank deposits	23	**443,596**	601,335
Cash and cash equivalents	24	**699,361**	550,615
Other current assets	20	**21,485**	–
Total current assets		**6,559,598**	5,161,852
Current liabilities			
Secured bank and other loans	25	**2,339,373**	2,146,288
Trade and other payables	28	**1,666,439**	914,288
Obligations under finance leases		**16,651**	4,233
Income tax payable	29(a)	**99,917**	137,990
Convertible bonds payables	26	**316,580**	98,467
Total current liabilities		**4,438,960**	3,301,266
Net current assets		**2,120,638**	1,860,586

Consolidated statement of financial position

at 31 December 2018
(Expressed in Hong Kong dollars)

	Note	At 31 December 2018 $'000	At 31 December 2017 (Note) $'000
Total assets less current liabilities		**3,351,357**	2,937,340
Non-current liabilities			
Secured bank and other loans	25	**92,445**	–
Convertible bonds payables	26	**–**	226,122
Deferred income	27	**129,815**	138,826
Obligations under finance leases		**7,973**	4,064
Total non-current liabilities		**230,233**	369,012
NET ASSETS		**3,121,124**	2,568,328
CAPITAL AND RESERVES			
Share capital	30(c)	**5,797,302**	5,849,015
Reserves	30(d)	**(2,551,921)**	(3,172,463)
Total equity attributable to equity shareholders of the Company		**3,245,381**	2,676,552
Non-controlling interests		**(124,257)**	(108,224)
TOTAL EQUITY		**3,121,124**	2,568,328

Approved and authorised for issue by the board of directors on 28 March 2019.

Cao Xinyi)
) *Directors*
Wang Yaxu)

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 70 to 173 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Share capital $'000 (note 30(c))	Statutory reserve $'000 (note 30(d))	Employee share trusts $'000 (note 30(c))	Other reserve $'000 (note 30(d))	Exchange reserve $'000 (note 30(d))	Treasury shares $'000 (note 30(d))	Fair value reserve (non-recycling) $'000	Accumulated loss $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 31 December 2017	**5,849,015**	**211,638**	**(25,929)**	**(25,421)**	**123,041**	**(26,286)**	**-**	**(3,429,506)**	**2,676,552**	**(108,224)**	**2,568,328**
Impact of initial application of IFRS 9	-	-	-	-	-	-	(21,358)	(8,998)	(30,356)	-	(30,356)
Adjusted balance at 1 January 2018	**5,849,015**	**211,638**	**(25,929)**	**(25,421)**	**123,041**	**(26,286)**	**(21,358)**	**(3,438,504)**	**2,646,196**	**(108,224)**	**2,537,972**
Changes in equity for 2018:											
Total comprehensive income for the year	-	-	-	-	(153,803)	-	(4,459)	879,772	721,510	11,372	732,882
Purchase of own shares (note 30(c)(i))	(51,713)	-	-	-	-	26,286	-	-	(25,427)	-	(25,427)
Contribution to employee share trusts(note 30(c)(iii))	-	-	(7,987)	-	-	-	-	-	(7,987)	-	(7,987)
Grant of restricted share units to employees (note 30(c)(iii))	-	-	14,711	953	-	-	-	-	15,664	-	15,664
Appropriation to statutory reserve	-	18,224	-	-	-	-	-	(18,224)	-	-	-
Dividends declared (note 30(b)(ii))	-	-	1,483	-	-	-	-	(106,058)	(104,575)	-	(104,575)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(10,159)	(10,159)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	5,642	5,642
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	(22,888)	(22,888)
Balance at 31 December 2018	**5,797,302**	**229,862**	**(17,722)**	**(24,468)**	**(30,762)**	**-**	**(25,817)**	**(2,683,014)**	**3,245,381**	**(124,257)**	**3,121,124**

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 70 to 173 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital $'000 (note 30(c))	Statutory reserve $'000 (note 30(d))	Employee share trusts $'000 (note 30(c))	Other reserve $'000 (note 30(d))	Exchange reserve $'000 (note 30(d))	Treasury shares $'000 (note 30(d))	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
Changes in equity for 2017:										
Total comprehensive income for the year	–	–	–	–	148,614	–	904,742	1,053,356	3,450	1,056,806
Purchase of own shares (note 30(c)(i))	(15,390)	–	–	–	–	(10,944)	–	(26,334)	–	(26,334)
Contribution to employee share trusts(note 30(c)(iii))	–	–	(40,883)	–	–	–	–	(40,883)	–	(40,883)
Grant of restricted share units to employees (note 30(c)(iii))	–	–	30,583	(3,421)	–	–	–	27,162	–	27,162
Shares issued for exclusive services agreement	105,108	–	–	–	–	–	–	105,108	–	105,108
Shares issued for settlement of contingent value rights (note 30(c)(ii))	77,785	–	–	–	–	–	–	77,785	–	77,785
Appropriation to statutory reserve	–	4,813	–	–	–	–	(4,813)	–	–	–
Dividends declared (note 30(b)(ii))	–	–	5,758	–	–	48	(362,696)	(356,890)	–	(356,890)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	22,305	22,305
Balance at 31 December 2017	5,849,015	211,638	(25,929)	(25,421)	123,041	(26,286)	(3,429,506)	2,676,552	(108,224)	2,568,328

The notes on pages 70 to 173 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 (Note) $'000
Operating activities			
Profit before taxation		**923,713**	1,012,783
Adjustments for:			
Depreciation		**41,844**	29,064
Amortisation of lease prepayments		**11,680**	11,415
Amortisation of intangible assets		**7,046**	5,993
Interest income	7(a)	**(5,492)**	(3,275)
Interest expenses		**197,031**	140,201
Net realised and unrealised gain and changes in fair value on derivative financial instruments		**(93,418)**	(4,532)
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	6	**(3,925)**	318
Share of loss of associates		**1,564**	275
Reversal of impairment of non-current assets		**(79,373)**	(8,905)
Foreign exchange loss, net		**15,539**	6,089
		1,016,209	1,189,426
Increase in inventories		**(483,499)**	(36,241)
Increase in trade and other receivables		**(984,920)**	(1,670,440)
Increase in trade and other payables		**630,132**	225,754
Income tax paid		**(64,541)**	(101,626)
Net cash generated from/(used in) operating activities		**113,381**	(393,127)
Investing activities			
Payment for purchase of property, plant and equipment, construction in progress, lease prepayments and intangible assets		**(226,588)**	(166,196)
Repayment of loan from a third party		**57,888**	35,922
Proceeds from sale of property, plant and equipment		**3,034**	962
Decrease/(increase) in restricted bank deposits		**157,739**	(537,446)
Proceeds from settlement of derivative financial instruments		**45,689**	7,422
Net cash outflows from acquisition of an associate		**(4,744)**	–
Interest received		**5,492**	3,275
Payment for acquisition of non-controlling interests		**(14,949)**	–
Net cash outflow from acquisition of subsidiaries		**–**	(34,102)

Consolidated cash flow statement

for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 (Note) $'000
Net cash generated from/(used in) investing activities		**23,561**	(690,163)
Financing activities			
Proceeds from bank and other loans		**11,408,284**	4,282,024
Repayment of bank and other loans		**(11,008,471)**	(2,956,860)
Proceeds from issuing convertible bonds		**–**	315,760
Capital element of finance leases rentals paid		**(10,692)**	(3,272)
Interest element of finance leases rentals paid		**(1,156)**	(577)
Collection of receivables under finance lease		**3,789**	–
Interests paid		**(216,127)**	(144,986)
Dividends paid to equity shareholders of the Company		**(104,575)**	(356,890)
Dividends paid to non-controlling interests		**(10,159)**	–
Contribution from non-controlling interests		**5,642**	22,305
Purchase of own shares		**(25,427)**	(26,334)
Contribution to employee share trusts		**(7,987)**	(40,883)
Net cash generated from financing activities		**33,121**	1,090,287
Net increase in cash and cash equivalents		**170,063**	6,997
Cash and cash equivalents at 1 January	24(a)	**550,615**	534,395
Effect of foreign exchange rate changes		**(21,317)**	9,223
Cash and cash equivalents at 31 December	24(a)	**699,361**	550,615

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 70 to 173 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

E-Commodities 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 and its subsidiaries (together referred to as the **"Group"**) are principally engaged in the processing and trading of coal and other products and providing logistics services throughout the commodity supply chain.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (**"IFRSs"**), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (**"IASs"**) and Interpretations issued by the International Accounting Standards Board (**"IASB"**) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the **"Group"**) and the Group's interest in associates.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– Investment in equity securities (see note 2(h)); and

– derivative financial instruments (see note 2(i)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

The consolidated financial statements are presented in Hong Kong dollars (**"HK$"**), which is different from the functional currency of the Company and its principal subsidiaries. The Company's functional currency is United Stated dollars (**"US$"**). As the Company is a listed company in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

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 coal and other products and the rendering of logistics services, gross margins, operating expenses, capital expenditure, finance costs, working capital requirements and the availability of borrowing facilities. The assumptions and estimations were based on the Group's business performance for the year ended 31 December 2018 and management's expectations of developments in the coal market. In preparing the cash flow projections, management assumed that the coal market conditions during the year ended 31 December 2018 would continue and, on that basis, developed assumptions relating to future coal selling prices, fluctuations in future coal procurement prices and future sales volumes.

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

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) IFRS 9, *Financial instruments*

(ii) IFRS 15, *Revenue from contracts with customers*

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on accumulated loss and reserves and the related tax impact at 1 January 2018.

	$'000
Accumulated loss	
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	8,998
Net increase in accumulated loss at 1 January 2018	8,998
Fair value reserve (non-recycling)	
Recognition of fair value reserve (non-recycling) relating to equity securities now measured at FVOCI	21,358

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments (continued)

a. Classification of financial assets and financial liabilities (continued)

	IAS 39 carrying amount at 31 December 2017 $'000	Reclassification $'000	Remeasurement $'000	IFRS 9 carrying amount at 1 January 2018 $'000
Financial assets carried at amortised cost				
Cash and cash equivalents	550,615	–	–	550,615
Restricted bank deposits	601,335	–	–	601,335
Trade and other receivables	2,763,568	–	(8,998)	2,754,570
Other non-current assets	–	–	–	–
	3,915,518	–	(8,998)	3,906,520
Financial assets carried at FVOCI (non-recyclable)				
Other investments in equity securities (note (i))	–	125,348	(21,358)	103,990
Financial assets carried at FVPL				
Derivative financial instruments (note (ii))	34,668	–	–	34,668
Financial assets classified as available-for-sale under IAS 39 (notes (i))	125,348	(125,348)	–	–

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments (continued)

a. Classification of financial assets and financial liabilities (continued)

Notes:

(i) Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in those third party companies engaged in coal mining, railway logistics, ports management and coal storage business at FVOCI (non-recycling), as these investments are held for strategic purposes.

(ii) Derivative financial instruments were classified as financial assets at FVPL under IAS 39. These assets continue to be measured at FVPL under IFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS 9, see respective accounting policy notes in notes 2(h), (i), (m)(i), (o) and (s).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments (continued)

b. Credit losses (continued)

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including trade and other receivables, other current assets and other non-current assets);

For further details on the Group's accounting policy for accounting for credit losses, see note 2(m)(i).

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	$'000
Loss allowance at 31 December 2017 under IAS 39	187,177
Additional credit loss recognised at 1 January 2018 on:	
– Trade receivables	7,658
– Bills receivable (included in trade and other receivables)	1,340
Loss allowance at 1 January 2018 under IFRS 9	196,175

c. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in accumulated loss and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial instruments (continued)

c. Transition (continued)

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held, and

  – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The adoption of IFRS 15 does not have any material impact on the financial position and the financial result of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(iii) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(q) or (r) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(g) and 2(m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to $nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 2(d)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arise is tested annually for impairment (see note 2(m)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Goodwill (continued)

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(m)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are set out below:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 31(e). These investments are subsequently accounted for as follows, depending on their classification.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other investments in equity securities (continued)

(A) Policy applicable from 1 January 2018

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(B) Policy applicable equity prior to 1 January 2018

Investments in equity securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Investments in equity securities which did not fall into any of the above categories were classified as available-for-sale financial assets. Investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(m)). Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in note 2(w)(iii).

(i) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(m)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the statement of financial position at cost less impairment losses (see note 2(m)). The construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	10 to 20 years
Plant and machinery	3 to 20 years
Motor vehicles	4 to 5 years
Office and other equipment	2 to 10 years
Railway special assets	8 to 50 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation with finite useful lives, and impairment losses (see note 2(m)). Amortisation is recognised in profit or loss on a straight-line basis over the assets' useful lives. The following other intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	10 years
Exclusive services agreement	20 years

Both the period and method of amortisation are reviewed annually.

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(m). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets (continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease (land use rights) is amortised on a straight-line basis over the period of the lease term.

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including trade and other receivables, other current assets and other non-current assets);

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 January 2018 (continued)

Measurement of ECLs (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 January 2018 (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 January 2018 (continued)

Significant increases in credit risk (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 January 2018 (continued)

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL. Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of the each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– lease prepayments;

– intangible assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(m)(i)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Convertible bonds

(i) Convertible bonds that contain an equity component

Convertible bonds that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible bonds as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the notes are converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Convertible bonds (continued)

(ii) Other convertible bonds

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs that relate to the issue of the convertible note are allocated to the host liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with derivative financial instruments with note 2(i). The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the notes are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the notes are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs, see note 2(y).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Obligations for contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in relevant jurisdictions are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options and restricted share units granted to employees is recognised as an employee cost with a corresponding increase in the other reserve within equity. The fair value of share options is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of restricted share units is measured at grant date using the market price of the Company's shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options and restricted share units, the total estimated fair value of the options and restricted share units is spread over the vesting period, taking into account the probability that the options and restricted share units will vest.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (continued)

(ii) Share-based payments (continued)

During the vesting period, the number of share options and restricted share units that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the other reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options and restricted share units that vest (with a corresponding adjustment to the other reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount related to share options is recognised in the other reserve until either the option is exercised (when it is transferred to the share capital account) or the option expires (when it is released directly to retained earnings). The equity amount related to restricted share units is recognised in other reserve until the restricted share units become vested and is transferred to employee share trusts.

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Sales of goods

Revenue is recognised when the customer takes possession of and accepts the goods which was taken to be the point in time when the customer obtain control of the goods.

In the comparative period, revenue from sales of goods was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership.

(ii) Rendering of services

The Group recognises revenue over time as the services are provided. Where a contract has two or more performance obligations, the Group allocates the transaction price to each service in proportion to those stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Group sells the services in separate transactions.

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(m)(i)).Interest income is recognised as it accrues using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue and other income (continued)

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the assets.

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired, are translated into HK$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of these financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing these financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these financial statements.

(i) Impairment of assets

If circumstances indicate that the carrying amount of an asset described in note 2(m)(ii) may not be recoverable, this asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to the level of sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales revenue and amount of operating costs.

An increase or decrease in the above impairment loss would affect the net profit in future years.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(ii) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(iii) Allowance for diminution in value of inventories

If the costs of inventories fall below their net realisable values, an allowance for diminution in value of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Management bases the estimates on all available information, including the current market prices of the products, and historical operating costs. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual allowance for diminution in value of inventories could be higher than estimated.

(iv) Credit losses from financial instruments

As explained in note 2(m), The Group estimates ECL for financial assets measured at amortised cost. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

4 REVENUE AND SEGMENT REPORTING

The Group is principally engaged in the processing and trading of coal and other products and providing logistics services throughout the commodity supply chain. 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018	2017
	$'000	$'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Coal	**28,028,521**	19,428,312
– Oil and petrochemical products	**3,004,972**	846,104
– Iron ore	**1,228,312**	273,578
– Nonferrous metals	**351,070**	226,160
– Rendering of logistics services	**133,702**	94,344
– Coke	**26,028**	–
– Others	**44,851**	9,461
	32,817,456	20,877,959

Among the Group's revenue from the trading of coal and other products, $2,629,944,000 (2017: $5,842,028,000) 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 (the **"Framework Contracts"**).

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 4(b)(i) and 4(b)(iii) respectively.

The Group's customer base is diversified and includes two customers which amounted to approximately $5,291,063,000 and $3,368,086,000 respectively (2017: two) with whom transactions have exceeded 10% of the Group revenues.

Details of concentration of credit risk arising from the largest and the largest five customers are set out in note 31(a).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

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

– Processing and trading of coal and other products: this segment manages and operates coal processing plants and generates income from processing and trading of 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"**).

(i) Segment results, assets and liabilities

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

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.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below.

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(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	Processing and trading of coal and other products		Logistics services		Total	
	2018	2017	**2018**	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Disaggregated by timing of revenue recognition						
Point in time	**32,683,754**	20,783,615	**–**	–	**32,683,754**	20,783,615
Over time	**–**	–	**133,702**	94,344	**133,702**	94,344
Revenue from external customers	**32,683,754**	20,783,615	**133,702**	94,344	**32,817,456**	20,877,959
Inter-segment revenue	**–**	–	**22,104**	15,323	**22,104**	15,323
Reportable segment revenue	**32,683,754**	20,783,615	**155,806**	109,667	**32,839,560**	20,893,282
Reportable segment profit (adjusted EBITDA)	**987,890**	1,110,512	**28,685**	8,375	**1,016,575**	1,118,887
Interest income	**4,959**	3,177	**533**	98	**5,492**	3,275
Interest expense	**(187,954)**	(130,629)	**(9,077)**	(9,572)	**(197,031)**	(140,201)
Depreciation and amortisation	**(57,721)**	(43,913)	**(2,849)**	(2,559)	**(60,570)**	(46,472)
Reversal of impairment of non-current assets	**79,373**	8,905	**–**	–	**79,373**	8,905
Reversal of provision/ (provision) for impairment losses on trade and other receivables	**83,932**	78,685	**(689)**	2,149	**83,243**	80,834
Share of loss of associates	**–**	–	**(1,564)**	(275)	**(1,564)**	(275)
Reportable segment assets	**7,888,489**	6,418,472	**175,129**	126,453	**8,063,618**	6,544,925
Additions to non-current segment assets during the year	**376,988**	279,584	**2,508**	1,415	**379,496**	280,999
Reportable segment liabilities	**4,504,549**	3,475,809	**349,399**	379,817	**4,853,948**	3,855,626

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	2018 $'000	2017 $'000
Revenue		
Reportable segment revenue	**32,839,560**	20,893,282
Elimination of inter-segment revenue	**(22,104)**	(15,323)
Consolidated revenue	**32,817,456**	20,877,959
Profit		
Reportable segment profit	**1,016,575**	1,118,887
Depreciation and amortisation	**(60,570)**	(46,472)
Reversal of impairment of non-current assets	**79,373**	8,905
Reversal of provision for impairment losses on trade and other receivables	**83,243**	80,834
Share of loss of associates	**(1,564)**	(275)
Net finance costs	**(193,344)**	(149,096)
Consolidated profit before taxation	**923,713**	1,012,783

	At 31 December 2018 $'000	At 31 December 2017 $'000
Assets		
Reportable segment assets	**8,063,618**	6,544,925
Interest in associates	**11,371**	17,019
Elimination of inter-segment receivables	**(284,672)**	(323,338)
Consolidated total assets	**7,790,317**	6,238,606
Liabilities		
Reportable segment liabilities	**4,853,948**	3,855,626
Current tax payable	**99,917**	137,990
Elimination of inter-segment payables	**(284,672)**	(323,338)
Consolidated total liabilities	**4,669,193**	3,670,278

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than other investment in equity securities (**"specified non-current assets"**). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in associates.

	Revenues from external customers		**Specified non-current assets**	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
The PRC (including Hong Kong and Macau)	**29,592,066**	19,221,864	**1,076,514**	935,938
Turkey	**1,423,596**	550,050	**–**	–
India	**911,143**	–	**–**	–
South Korea	**668,714**	173,605	**–**	–
America	**114,760**	–	**–**	–
Indonesia	**95,541**	–	**–**	–
Japan	**–**	711,167	**23,078**	5,887
Others	**11,636**	221,273	**23,562**	9,581
	32,817,456	20,877,959	**1,123,154**	951,406

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 OTHER REVENUE

	2018 $'000	2017 $'000
Government grants	**3,674**	5,126
Other	**164**	–
	3,838	5,126

6 OTHER OPERATING INCOME/(EXPENSES), NET

	2018 $'000	2017 $'000
Gain/(loss) on disposal of property, plant and equipment and intangible assets	**3,925**	(318)
Net realised and unrealised gain on derivative financial instruments	**57,107**	1,110
Penalty	**(1,601)**	(666)
Others	**672**	(362)
	60,103	(236)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2018 $'000	2017 $'000
Interest income on financial assets measured at amortised cost	**(5,492)**	(3,275)
Changes in fair value on conversion option embedded in convertible bonds and warrants (note 26)	**(36,311)**	(3,422)
Finance income	**(41,803)**	(6,697)
Interest on secured bank and other loans	**65,466**	50,370
Interest on discounted bills receivable	**87,409**	77,003
Finance charges on obligations under finance leases	**1,156**	577
Interest on convertible bonds (note 26)	**43,000**	12,251
Total interest expense	**197,031**	140,201
Bank charges	**22,577**	9,503
Foreign exchange loss, net	**15,539**	6,089
Finance costs	**235,147**	155,793
Net finance costs	**193,344**	149,096

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	2018	2017
	$'000	$'000
Salaries, wages, bonus and other benefits	**355,278**	327,922
Contributions to defined contribution retirement plan	**8,406**	6,574
	363,684	334,496

For the year ended 31 December 2018, staff-related expenses of the Group included a bonus of approximately $151,476,000, of which $131,661,000 was paid to the business sector teams, and the remaining $19,815,000 was paid to the functional management team. The following factors were considered in determining the bonus, business pre-tax profit made by each business sector team, individual performance and overall profit of the Company. A certain proportion of business pre-tax profit made by each business sector team is distributed to corresponding business sector team in form of bonus. The proportion was determined by reference to the incentive schemes of similar companies in the market, and with the aim of boosting performance so as to maintaining team stability and morale, and ensuring that the Company is competitive enough in the market to retain outstanding employees and management team.

7 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2018	2017 (Note)
	$'000	$'000
Amortisation*		
– lease prepayments	**11,680**	11,415
– intangible assets	**7,046**	5,993
Depreciation*	**41,844**	29,064
Reversal of provision for impairment losses		
– trade and other receivables	**(80,158)**	(64,452)
– other receivables	**(3,085)**	(16,382)
(Reversal of impairment loss)/Impairment losses		
– lease prepayments (note 15)	**–**	32,787
– loan to a third party (note 20)	**(79,373)**	(41,692)
Operating lease charges, mainly relating to buildings	**17,677**	8,142
Auditors' remuneration		
– audit services	**5,922**	5,411
– other services	**17**	14
Cost of inventories	**31,121,203**	18,997,927

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

* Cost of inventories includes $42,142,000 (2017: $44,300,000) and $28,229,000 (2017: $31,062,000) for the year ended 31 December 2018 relating to staff costs, depreciation and amortisation which amount is also included in the respective total amount disclosed separately above or in note 7(b) for each type of these expenses.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018	2017
	$'000	$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**35,292**	26,135
Current tax – Outside of Hong Kong		
Provision for the year	**47,649**	82,584
(Over)/under – provision, net in respect of prior years (note)	**(52,254)**	18
	30,687	108,737

Note: The Group's subsidiary E-Commodities Holdings Private Limited (**"E-Commodities Singapore"**) was incorporated in Singapore. During the year ended 31 December 2018, local tax authorities confirmed that E-Commodities Singapore is eligible for the Global Trader Program Incentive which allows E-Commodities Singapore to benefit from a preferential income tax rate of 10% on its qualifying income for the period from 1 January 2016 to 31 December 2017 (statutory tax rate: 17%). Therefore, the Group reversed income tax payable of $51,852,000 during the year ended 31 December 2018.

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

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year.

The provision for PRC current income tax is based on a statutory rate of 25% (2017: 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 Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

	2018 **$'000**	2017 $'000
Profit before taxation	**923,713**	1,012,783
Notional tax on profit before taxation, calculated at the rates applicable to profit in the jurisdictions concerned	**201,622**	229,381
Tax effect of non-deductible expenses	**2,677**	977
Tax effect of utilisation of previously unrecognised tax losses	**(87,614)**	(106,225)
Tax effect of unused tax losses and other temporary differences not recognised	**(33,744)**	(15,414)
(Over)/under – provision in respect of prior years	**(52,254)**	18
Actual tax expense	**30,687**	108,737

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383 (1) of the Hong Kong Companies Ordinance, and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

		2018	
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Total $'000
Executive directors			
Cao Xinyi	–	11,755	11,755
Li Jianlou (appointed on 30 March 2018)	–	4,710	4,710
Wang Wengang	–	10,971	10,971
Wang Yaxu	–	14,725	14,725
Zhu Hongchan (resigned on 29 March 2018)*	–	1,959	1,959
Non-executive directors			
Guo Lisheng	–	–	–
Independent non-executive directors			
Gao Zhikai	784	–	784
Ng Yuk Keung	784	–	784
Wang Wenfu	784	–	784
Total	2,352	44,120	46,472

* Ms. Zhu Hongchan ("**Ms. Zhu**") has resigned as an executive director of the Company on 29 March 2018. After the resignation, Ms. Zhu remains her position as an employee of the Company.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS (CONTINUED)

	2017		
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Total $'000
Executive directors			
Cao Xinyi	–	11,688	11,688
Zhu Hongchan	–	76,087	76,087
Wang Yaxu	–	14,025	14,025
Wang Wengang	–	12,264	12,264
Non-executive directors			
Guo Lisheng	–	–	–
Independent non-executive directors			
Gao Zhikai	779	–	779
Ng Yuk Keung	844	–	844
Wang Wenfu	844	–	844
Total	2,467	114,064	116,531

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2017: four) are directors whose emoluments are disclosed in note 9. During the year ended 31 December 2018, the emoluments in respect of the other two individual (2017: one) were as follow:

	2018	2017
	$'000	$'000
Salaries and other emoluments	**92,915**	5,626

During the year ended 31 December 2018, the emoluments of the two individual (2017: one) with the highest emoluments were within the following bands:

	2018 Number of individuals	2017 Number of individuals
$6,000,001 to $6,500,000	**1**	1
$86,500,001 to $87,000,000	**1**	–

11 OTHER COMPREHENSIVE INCOME

Other comprehensive income does not have any tax effect for the year ended 31 December 2018 (2017: $nil).

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of $879,772,000 (2017: $904,742,000) and the weighted average number of ordinary shares of 3,075,964,000 ordinary shares (2017: 3,089,966,000 shares) in issue during the year ended 31 December 2018, calculated as follows:

Weighted average number of ordinary shares (basic):

	2018	2017
	'000	'000
Issued ordinary shares at 1 January	**3,157,299**	3,018,559
Effect of purchase of own shares (note 30(c)(i))	**(48,074)**	(21,993)
Effect of purchase of shares held by the employee share trusts*	**(33,261)**	(31,627)
Effect of shares issued for exclusive service agreement	**–**	81,804
Effect of shares issued for settlement of contingent value rights (**"CVRs"**) (note 30(c)(ii))	**–**	43,223
Weighted average number of ordinary shares (basic) as at 31 December	**3,075,964**	3,089,966

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

Notes to the Financial Statements

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12 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

(i) Profit attributable to ordinary equity shareholders of the Company (diluted):

	2018	2017
	$'000	$'000
Profit attributable to ordinary equity shareholders	**879,772**	904,742
Effect of potential ordinary shares – convertible bonds	**16,007**	6,757
Profit attributable to ordinary equity shareholders (diluted)	**895,779**	911,499

(ii) Weighted average number of ordinary shares (diluted):

	2018	2017
	'000	'000
Weighted average number of ordinary shares at 31 December	**3,075,964**	3,089,966
Effect of potential ordinary shares – convertible bonds	**384,108**	107,812
Weighted average number of ordinary shares (diluted) as at 31 December	**3,460,072**	3,197,778

13 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Reconciliation of carrying amount

	Buildings $'000	Plant and machinery $'000	Railway special assets $'000	Motor vehicles $'000	Office and other equipment $'000	Total $'000
Cost:						
At 1 January 2017	744,723	309,767	282,060	97,450	82,320	1,516,320
Additions	73,302	17,246	–	18,324	18,525	127,397
Transferred from construction in progress (note 14)	8,236	3,218	–	–	2,056	13,510
Disposals	(2,133)	(2,682)	–	(3,099)	(2,382)	(10,296)
Exchange adjustments	70,357	27,894	22,801	9,626	9,552	140,230
At 31 December 2017	894,485	355,443	304,861	122,301	110,071	1,787,161
At 1 January 2018	894,485	355,443	304,861	122,301	110,071	1,787,161
Additions	21,977	4,668	407	70,578	24,044	121,674
Transferred from construction in progress (note 14)	53,846	36,435	–	–	1,834	92,115
Disposals	(2,904)	(4,803)	–	(11,034)	(4,100)	(22,841)
Exchange adjustments	(53,271)	(20,465)	(16,766)	(8,794)	(4,761)	(104,057)
At 31 December 2018	914,133	371,278	288,502	173,051	127,088	1,874,052
Accumulated depreciation and impairment losses:						
At 1 January 2017	601,558	288,711	270,844	86,926	56,071	1,304,110
Charge for the year	14,164	857	–	3,947	10,096	29,064
Written back on disposal	(85)	(1,777)	–	(2,379)	(2,253)	(6,494)
Exchange adjustments	55,412	26,856	23,981	7,902	5,865	120,016
At 31 December 2017	671,049	314,647	294,825	96,396	69,779	1,446,696
At 1 January 2018	671,049	314,647	294,825	96,396	69,779	1,446,696
Charge for the year	13,471	5,121	8	10,881	12,363	41,844
Written back on disposal	(1,310)	(2,328)	–	(9,151)	(3,045)	(15,834)
Exchange adjustments	(44,223)	(17,317)	(16,214)	(6,598)	(4,235)	(88,587)
At 31 December 2018	638,987	300,123	278,619	91,528	74,862	1,384,119
Net book value:						
At 31 December 2018	275,146	71,155	9,883	81,523	52,226	489,933
At 31 December 2017	223,436	40,796	10,036	25,905	40,292	340,465

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13 PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

(a) Reconciliation of carrying amount (continued)

At 31 December 2018, property, plant and equipment of the Group of $25,272,000 (31 December 2017: $nil) have been pledged as collateral for the Group's borrowings (see note 25).

At 31 December 2018, property, plant and equipment of the Group of $nil (31 December 2017: $1,939,000) have been pledged as collateral for the Group's bills payable (see note 28).

(b) The analysis of net book value of properties

	2018 **$'000**	2017 $'000
The PRC (including Hong Kong and Macau)	**240,211**	217,549
Other countries	**34,935**	5,887
Aggregate net book value	**275,146**	223,436

As at 31 December 2018, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to $7,949,000 (2017: $364,000). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use of the above mentioned buildings.

(c) Fixed assets held under finance leases

The Group leases motor vehicles and other equipment under finance leases expiring from 1 to 3 years. At the end of the lease term the Group has the option to purchase the leased motor vehicles and equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

During the year ended 31 December 2018, additions to motor vehicles financed by finance leases were $28,769,000 (2017: additions to other equipment financed by finance leases were $2,144,000). At the end of the reporting period, the net book value of fixed assets held under finance leases was $35,455,000 (2017: $11,816,000).

14 CONSTRUCTION IN PROGRESS

	2018	2017
	$'000	$'000
At 1 January	**8,350**	890
Additions	**152,891**	20,764
Transferred to property, plant and equipment (note 13)	**(92,115)**	(13,510)
Exchange adjustments	**360**	206
At 31 December	**69,486**	8,350

15 LEASE PREPAYMENTS

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC as follows:

	2018	2017
	$'000	$'000
Cost:		
At 1 January	**582,366**	517,513
Additions	**–**	26,827
Exchange adjustments	**(24,055)**	38,026
At 31 December	**558,311**	582,366
Accumulated amortisation and impairment losses:		
At 1 January	**105,575**	55,133
Charge for the year	**11,680**	11,415
Impairment losses	**–**	32,787
Exchange adjustments	**(996)**	6,240
At 31 December	**116,259**	105,575
Net book value:		
At 31 December	**442,052**	476,791

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

15 LEASE PREPAYMENTS (CONTINUED)

Lease prepayments represent the net of payments for land use rights paid to the PRC authorities and the associated government grants received. The Group's land use rights were amortised on a straight-line basis over the operating lease periods of 50 years. The associated government grants were recognised as deduction of lease prepayment amortisation charge for the year over the lease periods of the relevant lease prepayments.

At 31 December 2018, land use rights of the Group of $56,954,000 (31 December 2017: $319,055,000) have been pledged as collateral for the Group's borrowings (see note 25).

At 31 December 2018, land use rights of the Group of $238,803,000 (31 December 2017: $1,054,000) together with bills receivable of $23,134,000 (31 December 2017: $nil) (see note 22), restricted bank deposits of $46,014,000 (31 December 2017: $46,357,000) and property, plant and equipment of $nil (31 December 2017: $1,939,000) have been pledged as collateral for the Group's borrowings (see note 25) and bills payable (see note 28).

Impairment loss

During the year ended 31 December 2017, certain coal processing factories and logistics facilities of the Group were still suspended or in low utilisation due to their remote locations. As such, during the year ended 31 December 2017, the Group recorded additional impairment losses of $32,787,000 in respect of lease prepayments for land use rights of one of the coal processing factories in Liaoning Province, while property, plant and equipment and other assets in the relevant cash generating unit had been fully impaired in prior years. The impairment losses were determined based on the recoverable amount of each cash generating unit, which is the higher of its value in use based on cash flow forecasts prepared by management covering a five-year period according to financial forecasts prepared by management, and its fair value less costs of disposal based on fair value assessment using market-based approach by comparing prices at which other similar assets transacted in similar areas on an arm's length basis.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTANGIBLE ASSETS

	Exclusive service agreement $'000	Software $'000	Total $'000
Cost:			
At 1 January 2017	–	7,577	7,577
Additions	105,108	903	106,011
Disposals	–	(242)	(242)
Exchange adjustments	285	555	840
At 31 December 2017	105,393	8,793	114,186
At 1 January 2018	105,393	8,793	114,186
Additions	–	12,816	12,816
Exchange adjustments	221	(869)	(648)
At 31 December 2018	105,614	20,740	126,354
Accumulated amortisation:			
At 1 January 2017	–	3,223	3,223
Charge for the year	5,254	739	5,993
Written back on disposal	–	(242)	(242)
Exchange adjustments	16	243	259
At 31 December 2017	5,270	3,963	9,233
At 1 January 2018	5,270	3,963	9,233
Charge for the year	5,284	1,762	7,046
Exchange adjustments	8	(245)	(237)
At 31 December 2018	10,562	5,480	16,042
Net book value:			
At 31 December 2018	95,052	15,260	110,312
At 31 December 2017	100,123	4,830	104,953

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTANGIBLE ASSETS (CONTINUED)

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 of carrying out through-in and through-out transport of trains, and providing 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, of the Company paid Minghua Group the exclusive right fee through the issue of 93,016,667 ordinary shares. The fair value of such ordinary shares was 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.

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17 INTERESTS IN SUBSIDIARIES

The following list contains only the particulars of major subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
E-Commodities (HK) Holdings Limited (**"E-Commodities (HK)"**)	23 October 2009 Hong Kong	31,312,613 shares	100%	–	Trading of commodities
E-Commodities Holdings Private Limited (**"E-Commodities Singapore"**)	31 December 2009 The Republic of Singapore (**"Singapore"**)	Singapore dollars (**"SGD"**) 1,000,000 US$10,000,000	100%	–	Trading of commodities
E-Commodities (Beijing) Supply Chain Management Co., Ltd. (**"E-Commodities Beijing"**)*	6 November 1995 PRC	US$276,500,000	–	100%	Investment holding
Colour Future International Limited (**"Colour Future"**)	5 January 2005 BVI	US$21,770,001	–	100%	Trading of commodities
Urad Zhongqi Yiteng Mining Co., Ltd. (**"Yiteng"**)**	7 September 2005 PRC	RMB640,000,000	–	100%	Supply chain trading of coal
Inner Mongolia Haotong Energy Joint Stock Co., Ltd. (**"Inner Mongolia Haotong"**)***	18 November 2005 PRC	RMB750,000,000	–	100%	Supply chain trading of coal
Erlianhaote Haotong Energy Co., Ltd. logistics (**"Erlianhaote Haotong"**)#	18 January 2007 PRC	RMB95,370,000	–	95%	Logistics service

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(Expressed in Hong Kong dollars unless otherwise indicated)

17 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ejina Qi Haotong Energy Co., Ltd. (**"Ejinaqi Haotong"**)**	19 May 2008 PRC	RMB260,000,000	–	100%	Supply chain trading of coal
Baotou-city Haotong Energy Co., Ltd. (**"Baotou Haotong"**)**	18 September 2008 PRC	RMB90,000,000	–	100%	Supply chain trading of coal
Nantong Haotong Energy Co., Ltd. (**"Nantong Haotong"**)**	24 February 2009 PRC	RMB6,904,900	–	100%	Trading of commodities
Yingkou Haotong Mining Co., Ltd. (**"Yingkou Haotong"**)**	16 November 2009 PRC	RMB175,000,000	–	100%	Trading of commodities
Shanghai Xingguo International Trade Co.,Ltd ("**Xingguo**")**	9 May 2014 PRC	RMB50,000,000	–	90%	Trading of commodities
Shannan Rongtai Energy Co.,Ltd. (**"Shannan"**)**	24 November 2016 PRC	RMB50,000,000	–	100%	Trading of commodities
Manzhouli Haotong Energy Co., Ltd. (**"Manzhouli Haotong"**)***	23 December 2009 PRC	RMB200,000,000	–	100%	Trading of commodities
Ulanqab Haotong Energy Co., Ltd. (**"Ulanqab Haotong"**)**	2 March 2010 PRC	RMB240,000,000	–	100%	Processing of coal
Longkou Winsway Energy Co., Ltd. (**"Longkou Winsway"**)***	27 April 2010 PRC	RMB180,000,000	–	100%	Trading of commodities

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(Expressed in Hong Kong dollars unless otherwise indicated)

17 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ejina Qi Ruyi Winsway Energy Co., Ltd. (**"Ejina Qi Winsway"**)**	30 June 2010 PRC	RMB20,000,000	–	51%	Logistics service
Inner Mongolia Hutie Winsway Logistics Co., Ltd. (**"Inner Mongolia Hutie Winsway Logistics"**)**	22 July 2010 PRC	RMB113,500,000	–	87.05%	Logistics service
Nantong E-commodities Supply Chain Management Co., Ltd (**"Nantong Winsway"**)**	2 April 2013 PRC	RMB50,000,000	–	100%	Supply chain trading of commodities
Beijng Shacong E-Commerce Inc Ltd. (**"Beijing Shacong"**)**	26 March 2014 PRC	RMB18,901,522	–	100%	Supply chain technology service
Urad Zhongqi Tengshengda Energy Co., Ltd. (**"Tengshengda"**)**	17 June 2014 PRC	RMB65,000,000	–	100%	Supply chain trading of coal

* Wholly foreign owned enterprises established under the PRC law.

** Limited liability companies established under the PRC law.

*** Sino-foreign equity joint ventures established under the PRC law.

A Sino-foreign cooperative joint venture established under the PRC law.

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18 INTEREST IN ASSOCIATES

During the year ended 31 December 2018, the Group ceased to have significant influence over Bayannao'er City Hutie Ruyi Logistics Co., Ltd. after capital injection from other shareholders and the interest retained in this entity has been designated at FVOCI as the investment is held for strategic purposes (see note 19).

During the year ended 31 December 2018, the Group invested RMB10,000,000 (equivalent to approximately $11,861,000) into a third party company namely Shanghai Maili Marine Technology Co., Ltd. of which principal activity is rendering of big data services on shipping routes. After the investment the Group hold 20% equity interest of the investee and has significant influence over its management.

Aggregate information of associates that are not individually material:

	2018	2017
	$'000	$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**11,371**	17,019
Aggregate amounts of the Group's share of those associates'		
Loss from continuing operations	**(1,564)**	(275)
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(1,564)**	(275)

19 OTHER INVESTMENTS IN EQUITY SECURITIES

	31 December 2018 $'000	1 January 2018 $'000	31 December 2017 $'000
Equity securities designated at FVOCI (non-recycling)			
– Unlisted equity securities	**107,565**	103,990	–
Available-for-sale financial assets			
– Unlisted equity securities, at cost	**–**	–	125,348
	107,565	103,990	125,348

Other investments in equity securities represent the Group's equity interests in third party companies engaged in coal mining, railway logistics, ports management and coal storage business. As at 31 December 2018, the Group holds equity interests in a range of 1-15% in these companies.

Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in those third party companies engaged in coal mining, railway logistics, ports management and coal storage business at FVOCI (non-recycling), as these investments are held for strategic purposes. Changes during the current period represented fair value adjustments on these equity securities based on adjusted net asset method.

Notes to the Financial Statements

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20 OTHER NON-CURRENT/CURRENT ASSETS

	2018 $'000	2017 $'000
Loan to a third party	**21,485**	79,373
Less: impairment losses	**–**	(79,373)
	21,485	–
Reconciliation to the consolidated statement of financial position:		
Current assets	**21,485**	–
Non-current assets	**–**	–
	21,485	–

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).

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.

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20 OTHER NON-CURRENT/CURRENT ASSETS (CONTINUED)

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 year ended 31 December 2017, the Group recovered loan principal of US$5.34 million (equivalent to approximately $41,692,000) from Moveday, including an offsetting of the outstanding loan principal of US$0.73 million (equivalent to approximately $5,770,000) against the Group's payables.

During the year ended 31 December 2018, the directors of the Company continued their efforts to negotiate with Moveday for the repayment of the outstanding loan. As at 30 June 2018, the Group had recovered a further US$2.10 million (equivalent to approximately $16,162,000) of loan principal and during the second half of 2018 the Group recovered a further US $5.32 million (equivalent to approximately $41,726,000). As at 31 December 2018, in view of the continuous repayments from Moveday during the year, the directors of the Company believed that the outstanding loan balance of US$2.74 million (equivalent to approximately $21,485,000) as at 31 December 2018 could be fully recovered and have therefore reversed the remaining balance of the impairment provision. As a result of these events, in total a gain of $79,373,000 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

In January 2019, the Group has recovered all of the remaining loan principal of US$2.74 million (equivalent to approximately $21,485,000).

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21 INVENTORIES

(a) Inventories in the statement of financial position comprise:

	2018 $'000	2017 $'000
Coal	**1,086,224**	520,441
Oil and petrochemical products	**1,632**	13,214
Iron ore	**–**	58,334
Others	**16,995**	29,363
	1,104,851	621,352

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2018 $'000	2017 $'000
Carrying amount of inventories sold	**31,121,203**	18,997,927

22 TRADE AND OTHER RECEIVABLES

	31 December 2018 $'000	1 January 2018 $'000	31 December 2017 $'000
Trade debtors and bills receivable, net of loss allowance (note i)	**3,483,959**	2,722,191	2,731,189
Other debtors	**26,969**	32,379	32,379
Financial assets measured at amortised cost	**3,510,928**	2,754,570	2,763,568
Deposits and prepayments	**617,158**	524,400	524,400
Other tax recoverable	**155,564**	64,000	64,000
Derivative financial instruments (note ii)	**4,663**	34,668	34,668
	4,288,313	3,377,638	3,386,636

Notes to the Financial Statements

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22 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(i) Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade debtors and bills receivable (see note 2(c)(i))

(ii) As at 31 December 2018 and 31 December 2017, 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.

At 31 December 2018, bills receivable of the Group of $652,720,000 (31 December 2017: $233,202,000) have been pledged as collateral for the Group's borrowings (see note 25).

At 31 December 2018, bills receivable of the Group of $1,282,687,000 (31 December 2017: $1,167,894,000) have been discounted to banks.

At 31 December 2018, bills receivable of the Group of $23,134,000 (31 December 2017: $nil) together with land use rights of $238,803,000 (31 December 2017: $1,054,000) (see note 15), restricted bank deposits of $46,014,000 (31 December 2017: $46,357,000) and property, plant and equipment of $nil (31 December 2017: $1,939,000) have been pledged as collateral for the Group's borrowings (see note 25) and bills payable (see note 28).

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	$'000	$'000
Within 3 months	**2,282,307**	1,844,822
3 to 6 months	**1,146,438**	612,834
6 to 12 months	**55,214**	273,533
	3,483,959	2,731,189

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

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23 RESTRICTED BANK DEPOSITS

The Group has pledged bank deposits of $148,731,000 (2017: $363,013,000) as at 31 December 2018, as collateral for the Group's borrowings (see note 25) and banking facilities in respect of issuing bills and letters of credit by the Group (see note 28).

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2018	2017
	$'000	$'000
Cash at bank and in hand	**699,361**	550,615

At 31 December 2018, cash and cash equivalents of $566,375,000 (2017: $330,180,000) were held by the Company's subsidiaries located in the PRC in the form of RMB. 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.

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

Notes to the Financial Statements

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24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued):

	Secured bank and other loans $'000 (Note 25)	Convertible bonds payables $'000 (Note 26)	Finance leases $'000	Total $'000
At 1 January 2018	**2,146,288**	**324,589**	**8,297**	**2,479,174**
Changes from financing cash flows:				
Proceeds from bank and other loans	**11,408,284**	**–**	**–**	**11,408,284**
Repayment of bank and other loans	**(11,008,471)**	**–**	**–**	**(11,008,471)**
Capital element of finance leases rentals paid	**–**	**–**	**(10,692)**	**(10,692)**
Interest element of finance leases rentals paid	**–**	**–**	**(1,156)**	**(1,156)**
Interest element of convertible bonds paid	**–**	**(15,630)**	**–**	**(15,630)**
Total changes from financing cash flows	**399,813**	**(15,630)**	**(11,848)**	**372,335**
Exchange adjustments	**(114,283)**	**932**	**(362)**	**(113,713)**
Changes in fair value	**–**	**(36,311)**	**–**	**(36,311)**
Other changes:				
New finance leases	**–**	**–**	**27,381**	**27,381**
Finance charges on obligations under finance leases (note 7(a))	**–**	**–**	**1,156**	**1,156**
Interest expenses (note 7(a))	**–**	**43,000**	**–**	**43,000**
Total other changes	**–**	**43,000**	**28,537**	**71,537**
At 31 December 2018	**2,431,818**	**316,580**	**24,624**	**2,773,022**

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(Expressed in Hong Kong dollars unless otherwise indicated)

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued):

	Secured bank and other loans $'000 (Note 25)	Convertible bonds payables $'000	Finance leases $'000	Total $'000
At 1 January 2017	757,705	–	8,636	766,341
Changes from financing cash flows:				
Proceeds from bank and other loans	4,282,024	–	–	4,282,024
Repayment of bank and other loans	(2,956,860)	–	–	(2,956,860)
Capital element of finance leases rentals paid	–	–	(3,272)	(3,272)
Interest element of finance leases rentals paid	–	–	(577)	(577)
Proceeds from convertible notes	–	315,760	–	315,760
Total changes from financing cash flows	1,325,164	315,760	(3,849)	1,637,075
Exchange adjustments	63,419	–	464	63,883
Changes in fair value	–	(3,422)	–	(3,422)
Other changes:				
New finance leases	–	–	2,469	2,469
Finance charges on obligations under finance leases	–	–	577	577
Interest expenses	–	12,251	–	12,251
Total other changes	–	12,251	3,046	15,297
At 31 December 2017	2,146,288	324,589	8,297	2,479,174

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25 SECURED BANK AND OTHER LOANS

(a) The secured bank and other loans comprise:

	2018 **$'000**	2017 $'000
Bank loans	**2,431,818**	2,074,510
Other loans (note)	**–**	71,778
	2,431,818	2,146,288

	2018 **$'000**	2017 $'000
Short-term loans and current portion of long-term loans	**2,339,373**	2,146,288
Long-term loans	**92,445**	–
	2,431,818	2,146,288

The interest rates per annum of bank loans were:

	2018	2017
Short-term loans and current portion of long-term loans	**3.03% – 10.45%**	1.96% – 7.84%
Long-term loans	**10.45%**	–

Note: During the year ended 31 December 2017, the Group borrowed a loan from a third party company with principal amount of $71,778,000 bearing interest rate at 7.8375% per annum and was repayable on 25 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, and the Group has provided guarantee to the third party company on its repayment of the loan. On 25 December 2018, such loan was fully repaid.

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25 SECURED BANK AND OTHER LOANS (CONTINUED)

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

	2018 **$'000**	2017 $'000
Within 1 year	**2,339,373**	2,146,288
After 1 year but within 2 years	**92,445**	–
	2,431,818	2,146,288

At 31 December 2018, bank loans amounting to $682,843,000 (31 December 2017: $504,609,000) have been secured by bills receivable with an aggregate carrying value of $652,720,000 (31 December 2017: $208,678,000) and bank deposits with an aggregate carrying value of $102,717,000 (31 December 2017: $316,656,000).

At 31 December 2018, bank loans amounting to $1,282,687,000 (31 December 2017: $1,167,894,000) have been secured by bills receivable with recourse an aggregate carrying value of $1,282,687,000 (31 December 2017: $1,167,894,000).

At 31 December 2018, bank loans amounting to $317,919,000 (31 December 2017: $366,118,000) have been secured by property, plant and equipment with an aggregate carrying value of $25,272,000 (31 December 2017: $nil), land use rights with an aggregate carrying value of $56,954,000 (31 December 2017: $319,055,000) and bills receivable with an aggregate carrying value of $nil (31 December 2017: $24,524,000).

At 31 December 2018, bank loans amounting to $45,652,000 (31 December 2017: $nil) together with bills payable amounting to $180,461,000 (31 December 2017: $224,306,000) (see note 28) have been secured by restricted bank deposits with an aggregate carrying value of $46,014,000 (31 December 2017: $46,357,000), property, plant and equipment with an aggregate carrying value of $nil (31 December 2017: $1,939,000), land use rights with an aggregate carrying value of $238,803,000 (31 December 2017: $1,054,000), and bills receivable with an aggregate carrying value of $23,134,000 (31 December 2017: $nil).

At 31 December 2018, bank loans amounting to $102,717,000 (31 December 2017: $35,889,000) have been secured by credit guarantee with an aggregate amount of $102,717,000 (31 December 2017: $35,889,000) provided by subsidiaries of the Group.

Further details of the Group's management of liquidity risk are set out in note 31(b).

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26 CONVERTIBLE BONDS PAYABLES

	Liability component $'000	**Derivatives component** $'000	**Warrants** $'000	**Total** $'000
At 1 January 2018	226,122	88,913	9,554	324,589
Interest charged during the year (note 7(a))	43,000	–	–	43,000
Repayment	(15,630)	–	–	(15,630)
Fair value adjustment (note 7(a))	–	(26,993)	(9,318)	(36,311)
Exchange adjustment	932	–	–	932
At 31 December 2018	254,424	61,920	236	316,580

On 14 September 2017, the Company issued convertible bonds in the aggregate principal amount of US$40,000,000 together with 118,060,606 units of warrants to Lord Central Opportunity VII Limited (**"Subscriber"**). The convertible bonds bear a nominal interest rate at 5% per annum payable semi-annually. The maturity date of the convertible bonds is 14 September 2022. The convertible bonds are convertible into ordinary shares of the Company at the option of the holders of the convertible bonds at any time after the issue date of the convertible bonds and up to the maturity date at an initial conversion price of $0.862 per share, subject to adjustments. As stated in the Company's announcement dated 21 September 2018, pursuant to the provision on adjustments to the conversion price set out in the terms and conditions of the convertible bonds, the conversion price has been adjusted to $0.72 per share.

At any time after the second anniversary of the issue date until the maturity date, the convertible bondholder may, by issuing a redemption notice in writing to the Company, require the Company to redeem all or part of the outstanding principal amount of the convertible bonds at the redemption amount equal to such amount representing an internal rate of return of 10% on the principal amount of the outstanding convertible bonds to be redeemed (inclusive of interest received but excluding default interest), calculated from the issue date up to the date on which the Company completes the redemption. Interest expenses is calculated using the effective interest method by applying the effective interest rate of 19.64% per annum.

In the meantime, the Subscriber was entitled to 118,060,606 warrants which are exercisable any time from the issue date and up to the fifth anniversary after the issue date, at an initial subscription price of $0.948, subject to adjustments. On 9 July 2018, pursuant to the provision on adjustments to the subscription price set out in the terms and conditions of the warrants, the subscription price was adjusted from $0.948 to $0.908 per share as a result of the declaration by the Company on 22 March 2018 of a final dividend for the year ended 31 December 2017.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

26 CONVERTIBLE BONDS PAYABLES (CONTINUED)

At initial recognition the derivative component of the convertible bonds and warrants are measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component and warrants is recognised as the liability component. The fair value of derivative component and warrants is subsequently remeasured at the end of each reporting period.

27 DEFERRED INCOME

Deferred income represents the unrecognised government grants relating to compensating the Group for the cost of assets.

28 TRADE AND OTHER PAYABLES

	2018	2017
	$'000	$'000
Trade and bills payables	**925,159**	379,650
Prepayments from customers	**229,220**	80,798
Payables in connection with construction projects	**32,573**	45,682
Payables for purchase of equipment	**25,104**	7,706
Payables for staff related costs*	**169,809**	176,827
Payables for other taxes	**172,465**	81,860
Others	**112,109**	141,765
	1,666,439	914,288

* Included bonus payable to senior management amounting to approximately $97,461,000 (2017: $93,804,000).

At 31 December 2018, bills payable amounting to $180,461,000 (31 December 2017: $224,306,000) together with bank loans amounting to $45,652,000 (31 December 2017: $nil) (see note 25) have been secured by restricted bank deposits with an aggregate carrying value of $46,014,000 (31 December 2017: $46,357,000), property, plant and equipment with an aggregate carrying value of $nil (31 December 2017: $1,939,000), land use rights with an aggregate carrying value of $238,803,000 (31 December 2017: $1,054,000), and bills receivable with an aggregate carrying value of $23,134,000 (31 December 2017: $nil).

28 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2018 **$'000**	2017 $'000
Within 3 months	**883,505**	289,890
More than 3 months but less than 6 months	**31,596**	74,777
More than 6 months but less than 1 year	**88**	7,096
More than 1 year	**9,970**	7,887
	925,159	379,650

29 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position represents:

	2018 **$'000**	2017 $'000
At 1 January	**137,990**	128,972
Provision for the year (note 8(a))	**82,941**	108,719
(Over)/under – provision in respect of prior years (note 8(a))	**(52,254)**	18
Income tax paid	**(64,541)**	(101,626)
Exchange adjustments	**(4,219)**	1,907
At 31 December	**99,917**	137,990

(b) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of deductible temporary differences and tax losses incurred by the subsidiaries of the Group of $1,145,102,000 and $736,995,000, respectively (2017: $1,674,132,000 and $872,312,000) as management of the Group considers that it is not possible as at 31 December 2018 to estimate, with any degree of certainty, the future taxable profits which may be earned by these subsidiaries. In particular, in accordance with the Group's accounting policy set out in note 2(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses at 31 December 2018 as the management considers it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses in the PRC established entities of approximately $297,910,000, $207,656,000, $15,527,000, $141,319,000 and $74,583,000 will expire in five years after the tax losses generated under current tax legislation in 2019, 2020, 2021, 2022 and 2023, respectively.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital	Employee share trusts	Other reserve	Exchange reserve	Accumulated loss	Treasury shares	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2018	**5,849,015**	**(25,929)**	**(647)**	**11,803**	**(4,414,223)**	**(26,286)**	**1,393,733**
Changes in equity for 2018:							
Purchase of own shares (note 30(c)(i))	(51,713)	–	–	–	–	26,286	(25,427)
Contribution to employee share trusts	–	(7,987)	–	–	–	–	(7,987)
Grant of restricted share units to employees	–	14,711	953	–	–	–	15,664
Total comprehensive income for the year	–	–	–	8,605	102,104	–	110,709
Dividends declared (note 30(b)(ii))	–	1,483	–	–	(106,058)	–	(104,575)
Balance at 31 December 2018	**5,797,302**	**(17,722)**	**306**	**20,408**	**(4,418,177)**	**–**	**1,382,117**

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(a) Movements in components of equity (continued)

The Company (continued)

	Share capital $'000	Employee share trusts $'000	Other reserve $'000	Exchange reserve $'000	Accumulated loss $'000	Treasury shares $'000	Total $'000
Balance at 1 January 2017	5,681,512	(21,387)	2,774	(16,632)	(4,208,815)	(15,390)	1,422,062
Changes in equity for 2017:							
Purchase of own shares	(15,390)	–	–	–	–	(10,944)	(26,334)
Contribution to employee share trusts	–	(40,883)	–	–	–	–	(40,883)
Grant of restricted share units to employees	–	30,583	(3,421)	–	–	–	27,162
Shares issued for exclusive services agreement	105,108	–	–	–	–	–	105,108
Shares issued for settlement of contingent value rights	77,785	–	–	–	–	–	77,785
Total comprehensive income for the year	–	–	–	28,435	157,288	–	185,723
Dividends declared	–	5,758	–	–	(362,696)	48	(356,890)
Balance at 31 December 2017	5,849,015	(25,929)	(647)	11,803	(4,414,223)	(26,286)	1,393,733

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2018 $'000	2017 $'000
Interim dividend declared and paid of $nil per ordinary share (2017: $0.038)	–	120,199
Final dividend proposed after the end of the reporting period of $0.072 per ordinary share (2017: $0.034)	218,497	106,144
	218,497	226,343

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the year.

	2018 $'000	2017 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.034 (2017: $0.077)	106,058	242,497

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	2018 '000 No. of shares	2017 '000 No of shares
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

	2018		2017	
	No. of shares '000	**$'000**	No. of shares '000	$'000
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	**3,157,299**	**5,849,015**	3,018,559	5,681,512
Cancellation of repurchased shares (note i)	**(90,576)**	**(51,713)**	(18,408)	(15,390)
Shares issued for exclusive services agreement (note 16)	–	–	93,017	105,108
Shares issued for settlement of CVRs (note ii)	–	–	64,131	77,785
At 31 December	**3,066,723**	**5,797,302**	3,157,299	5,849,015

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

Notes:

(i) Purchase of own shares

During the year ended 31 December 2018, the Company cancelled in aggregate of 90,576,000 of its own shares which were purchased from the open market in 2017 and 2018.

(ii) Shares issued for settlement of CVRs

Contingent value rights (**"CVRs"**) referred to a one-off payment of US$10 million to the holders of the senior notes upon the occurrence of a triggering event that was the Company's adjusted profit before taxation in any of the 5 years from the issue date of the CVRs on 23 June 2016 exceeding US$100 million.

On 30 April 2017, as a result of the occurrence of the triggering event, the Company 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) 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 persons (including a director, officer and full-time employee of the Company or its subsidiaries, and advisors and agents who provide value-added services to the Company or its subsidiaries) 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.

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

Notes:

(iii) Employee share trusts (continued)

During the year ended 31 December 2018, the Company granted certain RSU Awards in respect of an aggregate of 22,990,224 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.

The fair value of the granted ordinary shares was $15,664,000 based on the quoted price of the Company's shares on the grant date, of which $14,711,000 was credited to the employee share trusts based on the weighted average cost of the granted ordinary shares, and the balance of $953,000 was debited to the other reserve in accordance with the policy set out in note 2(t)(ii).

In addition, the Company has repurchased on-market in aggregate 13,884,000 of its own shares (2017: 48,420,000 shares) at a cash consideration of $7,987,000 (2017: $40,883,000) under the RSU Scheme during the year ended 31 December 2018.

(d) Nature and purpose of reserves

(i) Other reserve

The other reserve comprises the following:

– the aggregate amount of paid-in capital or share capital of the companies now comprising the Group after elimination of the investments in subsidiaries and the changes in equity arisen from the acquisition of non-controlling interests.

– the net loss on purchase of non-controlling interest in a subsidiary; and

– the fair value of unexercised share options granted to employees of the Company at the grant date that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(t)(ii).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(ii) Statutory reserve

Pursuant to the Articles of Association of the companies comprising the Group in the PRC, appropriations to the statutory reserve were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the respective companies comprising the Group. During the year ended 31 December 2018, amounts in retained earnings of $18,224,000 (2017: $4,813,000) were transferred from retained earnings to the statutory reserve.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which are dealt with in accordance with the accounting policies as set out in note 2(x).

(iv) Treasury shares

During the year ended 31 December 2018, the Company has repurchased on-market own shares in aggregate of 55,152,000 shares (2017: 35,424,000 shares) at a cash consideration of $25,427,000 (2017: $26,334,000).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see note 2(h)).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (continued)

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes secured bank and other loans, obligations under finance leases and convertible bonds payables) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's adjusted net debt-to-capital ratio at 31 December 2018 and 2017 was as follows:

	Note	**2018** **$'000**	2017 $'000
Current liabilities:			
– Secured bank and other loans	25	**2,339,373**	2,146,288
– Convertible bonds payables	26	**254,424**	–
– Obligations under finance leases		**16,651**	4,233
		2,610,448	2,150,521
Non-current liabilities:			
– Secured bank loans	25	**92,445**	–
– Convertible bonds payables		**–**	226,122
– Obligations under finance leases		**7,973**	4,064
Total debt		**2,710,866**	2,380,707
Add: Proposed dividends	30(b)	**218,497**	106,144
Less: Cash and cash equivalents	24	**(699,361)**	(550,615)
Adjusted net debt		**2,230,002**	1,936,236
Total equity		**3,121,124**	2,568,328
Less: Proposed dividends	30(b)	**(218,497)**	(106,144)
Adjusted capital		**2,902,627**	2,462,184
Adjusted net debt-to-capital ratio		**77%**	79%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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(Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and bills receivables. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk. Management has had a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade and bills receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 3% (2017: 71%) and 62% (2017: 76%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively within the processing and trading of coal and other products business segment.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade and bills receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables as at 31 December 2018.

	Expected loss rate	Gross carrying amount	Loss allowance
	%	$'000	$'000
Current (not past due)	0.10%	3,413,051	(3,456)
1 – 180 days past due	1.72%	75,666	(1,302)
More than 180 days past due	100.00%	1,297	(1,297)
		3,490,014	(6,055)

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under IAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(m)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, trade and bills receivables of $80,612,000 were determined to be impaired. The aging analysis of trade and bills debtors that were not considered to be impaired was as follows:

	2017
	$'000
Neither past due nor impaired	2,580,183
Less than 3 months past due	150,265
More than 3 months but less than 12 months past due	741
	2,731,189

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Comparative information under IAS 39 (continued)

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

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

Movement in the loss allowance account in respect of trade and bills receivables during the year is as follows:

	2018	2017
	$'000	$'000
Balance at 31 December 2017 under IAS 39	**80,612**	–
Impact on initial application of IFRS 9 (note 2(c)(i))	**8,998**	–
Adjusted balance at 1 January	**89,610**	137,786
Reversal of impairment loss	**(80,158)**	(64,452)
Exchange adjustments	**(903)**	7,278
Balance at 31 December	**8,549**	80,612

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(Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2018 Contractual undiscounted cash outflow					2017 Contractual undiscounted cash outflow				
	Within 1 year or on demand $'000	**More than 1 year but less than 2 years $'000**	**More than 2 years but less than 5 years $'000**	**Total $'000**	**Carrying amount at 31 December $'000**	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Secured bank and other loans	**2,339,373**	**92,445**	**–**	**2,431,818**	**2,431,818**	2,146,288	–	–	2,146,288	2,146,288
Trade and other payables (excluding prepayments from customers)	**1,437,219**	**–**	**–**	**1,437,219**	**1,437,219**	833,490	–	–	833,490	833,490
Finance leases obligations	**17,659**	**6,825**	**1,394**	**25,878**	**24,624**	4,604	3,916	281	8,801	8,297
Convertible bonds payables	**15,560**	**15,560**	**434,997**	**466,117**	**254,424**	15,560	15,560	450,557	481,677	226,122
	3,809,811	**114,830**	**436,391**	**4,361,032**	**4,148,085**	2,999,942	19,476	450,838	3,470,256	3,214,197

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(Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings.

Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2018		2017	
	Interest rate		Interest rate	
	%	**$'000**	%	$'000
Fixed rate borrowings:				
Bank loans	**3.03% – 10.45%**	**2,431,818**	1.96% – 7.84%	2,146,288
Convertible bonds	**19.64%**	**254,424**	19.64%	226,122
		2,686,242		2,372,410

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to payables, cash balances and bank loans that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Most of the Group's borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currency (expressed in HK$)							
	2018				2017			
	US$	**RMB**	**SGD**	**HK$**	US$	RMB	SGD	HK$
	$'000	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000
Cash and cash equivalents	**1,506**	**1,178**	**2,699**	**18,347**	4,886	1,258	2,845	9,362
Trade and other receivables	**154,592**	**54,073**	**–**	**3,000**	84,582	1,128	–	3,348
Trade and other payables	**–**	**(85,865)**	**(4,919)**	**(4,399)**	(10,425)	(17,626)	(7,504)	(227)
Bank loans	**(168,409)**	**–**	**–**	**–**	(70,039)	–	–	–
Net exposure arising from recognised assets and liabilities	**(12,311)**	**(30,614)**	**(2,220)**	**16,948**	9,004	(15,240)	(4,659)	12,483

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(Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated loss) and other components of consolidated equity that would arise if foreign exchange rate to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2018		2017	
	Increase/ (decrease) in foreign exchange rate	**(Increase)/ decrease in loss after tax and accumulated loss $'000**	Increase/ (decrease) in foreign exchange rate	(Increase)/ decrease in loss after tax and accumulated loss $'000
US$	**5%**	**(524)**	5%	338
	(5)%	**524**	(5)%	(338)
RMB	**5%**	**(1,327)**	5%	(190)
	(5)%	**1,327**	(5)%	190
SGD	**5%**	**(92)**	5%	(193)
	(5)%	**92**	(5)%	193
HK$	**5%**	**893**	5%	488
	(5)%	**(893)**	(5)%	(488)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss/profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2017.

(e) Fair values measurement

(i) Financial assets and liabilities measured at fair value

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

2018

	Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Assets:				
Derivative financial instruments:				
– Commodity futures contracts	4,663	4,663	–	–
Unlisted equity securities				
– Other investment in equity securities	107,565	–	–	107,565
Liabilities:				
Derivative financial instruments:				
– Conversion option embedded in convertible bonds	61,920	–	–	61,920
– Warrants	236	–	–	236

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

2017

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Assets:				
Derivative financial instruments:				
– Commodity futures contracts	34,668	34,668	–	–
Liabilities:				
Derivative financial instruments:				
– Conversion option embedded in convertible bonds	88,913	–	–	88,913
– Warrants	9,554	–	–	9,554

During the years ended 31 December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: $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 Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements

	Valuation techniques 2018 $'000	**Unobservable input 2018** $'000	**Range 2018** $'000
Convertible bonds payables – derivatives embedded in convertible bonds	Binomial Tree Approach	Expected volatility	15%-30%
Convertible bonds payables – warrants	Binomial Tree Approach	Expected volatility	15%-30%
Unlisted equity securities	Adjusted net assets method	Marketability discount	10%

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values measurement (continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2018	2017
	$'000	$'000
Unlisted equity securities:		
At 1 January	**103,990**	–
Net unrealised gains or losses recognised in other comprehensive income during the period	**3,575**	–
At 31 December	**107,565**	–
Conversion option embedded in convertible bonds payables and warrants:		
At 1 January	**98,467**	–
Issued during the year	**–**	101,889
Changes in fair value recognised in profit or loss during the period	**(36,311)**	(3,422)
At 31 December	**62,156**	98,467
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**(36,311)**	(3,422)

From 1 January 2018, any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the year.

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9, and certain of the highest paid employees as disclosed in note 10, is as follows:

	2018	2017
	$'000	$'000
Short-term employee benefits	**142,130**	132,427

The remuneration is included in "staff costs" (see note 7(b)).

(b) Transactions with other related parties

In addition to the balances disclosed elsewhere in this final financial report, the Group has no material related party transactions during the year ended 31 December 2018 and 2017.

33 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2018 not provided for in the financial statements are as follows:

	At 31 December	At 31 December
	2018	2017
	$'000	$'000
Contracted for	**109,112**	17,264

33 COMMITMENTS (CONTINUED)

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2018 $'000	At 31 December 2017 $'000
Within 1 year	**13,168**	14,717
After 1 year but within 5 years	**15,461**	25,299
After 5 years	**12,717**	14,535
	41,346	54,551

The Group leases buildings and others under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew when all terms are renegotiated. None of the leases includes contingent rentals.

34 CONTINGENT LIABILITIES – GUARANTEES

The Company's existing subsidiaries, namely Glorious Gold Holdings Limited, Million Super Star Limited, E-Commodities Japan Co., Ltd, E-Commodities Singapore, E-Commodities (HK), Cheer Top Enterprises Limited, Legend York Star Limited, Color Future International Limited, Standard Rich Inc Limited, King Resources Holdings Limited, Eternal International Logistics Limited, Royce Petrochemicals Limited and E-Commodities International Development (HK) Limited, have provided guarantees for the convertible bonds and warrants issued on 14 September 2017 (see note 26). The guarantees will be released upon the full and final payment and performance of all obligations of the Company under the convertible bonds and warrants.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 $'000	2017 $'000
Non-current assets			
Property, plant and equipment, net		**694**	195
Intangible assets		**95,053**	100,123
Interests in subsidiaries		**2,868,072**	2,669,070
Total non-current assets		**2,963,819**	2,769,388
Current assets			
Trade and other receivables		**2,300**	11,108
Cash and cash equivalents		**11,233**	63,494
Total current assets		**13,533**	74,602
Current liabilities			
Trade and other payables		**1,278,655**	1,125,668
Convertible bonds payables		**316,580**	98,467
Total current liabilities		**1,595,235**	1,224,135
Net current liabilities		**(1,581,702)**	(1,149,533)
Non-current liabilities			
Convertible bonds payables		**–**	226,122
Total non-current liabilities		**–**	226,122
NET ASSETS		**1,382,117**	1,393,733
CAPITAL AND RESERVES			
Share capital	30(c)	**5,797,302**	5,849,015
Reserves		**(4,415,185)**	(4,455,282)
TOTAL EQUITY		**1,382,117**	1,393,733

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

36 COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

37 IMMEDIATE AND ULTIMATE CONTROLLING SHAREHOLDERS

At 31 December 2018, the directors of the Company consider the immediate parent and ultimate controlling party of the Group to be Famous Speech Limited and Ms. Wang respectively. Famous Speech Limited is incorporated in the British Virgin Islands and does not produce financial statements available for public use. Ms. Wang's address is Avenida Sir Anders Ljungstedt No.297 E 303 EDF L'arc 48 Andar G48, Macau.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
Amendments to IAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the IFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

IFRS 16, Leases

As disclosed in note 2(l), 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 properties, plant and equipment 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.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

IFRS 16, Leases (continued)

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 33(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to $41,346,000, the majority of which is payable either between 1 and 5 years after the reporting date. Upon the initial adoption of IFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted accordingly, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

Definitions

In this annual report, unless the context requires otherwise, the following expressions have the following meanings:

"Articles of Association" or "Articles"	the articles of association of our Company as amended from time to time
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	our board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules, which has been renamed as "Corporate Governance Code and corporate Governance Report" from 1 April 2012
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and the "PRC" do not include Taiwan, the Macau Special Administrative Region and Hong Kong
"Company", "our Company", "we" or "us"	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)", a company incorporated under the laws of the BVI with limited liability on 17 September 2007 and, except where the context indicates otherwise, including our subsidiaries
"controlling shareholders"	has the meaning ascribed to it under the Listing Rules and, unless the context otherwise requires, refers to Ms. Wang and Famous Speech
"Convertible Bonds"	the 5% convertible bonds in an aggregate principal amount of US$40 million issued by the Company on 14 September 2017
"Director(s)"	the director(s) of our Company
"Ejinaqi Haotong"	額濟納旗浩通能源有限公司 (Ejina Qi Haotong Energy Co., Ltd.*), a company established under the laws of the PRC with limited liability on 19 May 2008 and our indirectly wholly-owned subsidiary

Definitions

"Great Start"	Great Start Development Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 21 April 2010 and indirectly wholly-owned by Mr. Wang Xingchun
"Group" or "our Group"	our Company and its subsidiaries
"Famous Speech"	Famous Speech Limited, a company incorporate under BVI Laws with Limited liability, the controlling shareholder of the Company which is owned as to 73.3% and 26.7% by Ms. Wang and Magnificent Gardenia, respectively
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (as amended from time to time)
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by International Accounting Standards Board (the "**IASB**") and the International Accounting Standards ("**IAS**") and Standing interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect
"Inner Mongolia Haotong"	內蒙古浩通能源股份有限公司 (Inner Mongolia Haotong Energy Joint Stock Co., Ltd.*), a joint stock company established under the laws of the PRC on 18 November 2005 and our indirectly wholly-owned subsidiary
"Listing"	the listing of our Shares on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Magnificent Gardenia"	Magnificent Gardenia Limited, a company incorporated under the BVI Laws with Limited liability
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange

Definitions

"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company as amended from time to time
"Minghua Group''	Minghua Energy Group Co., Ltd.* (明華能源集團有限公司), a company incorporated under the PRC laws with limited liability
"Model Code"	Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 of the Listing Rules
"Mr. Wang's Group"	means Mr. Wang Xingchun and his directly or indirectly wholly owned companies, Winsway Group Holdings, Winsway Resources Holdings, Great Start and Winsway International Petroleum & Chemicals
"Ms. Wang"	王奕涵女士 (Wang Yihan), our ultimate controlling shareholder of our Company
"Restricted Share Unit Scheme" or "RSU Scheme"	the restricted share unit scheme and its amendments approved and adopted by the Shareholders at the annual general meetings held on 11 June 2012 and 27 June 2018
"RSU Award"	a restricted share unit granted to a participant under the Restricted Share Unit Scheme
"Senior Notes"	the 8.5% senior notes issued by the Company in the aggregate principal amount of US$500 million
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and futures Ordinance (Chapter 571 of the Laws of Hong Kong)(as amended from time to time)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	ordinary share(s) with no par value of our Company
"Shareholders"	holders of the Shares
"subsidiary(ies)"	has the meaning ascribed to it in section 2 of the Hong Kong Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules

Definitions

"United States", "US" or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$", "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"Warrants"	118,060,606 unlisted warrants of the Company entitling the registered holders thereof to subscribe for shares
"Winsway Group"	the group of companies established and/or incorporated by Mr. Wang Xingchun and/or his associates which is not a member of our Group
"Winsway Group Holdings"	Winsway Group Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 1 March 2001 and wholly-owned by Mr. Wang Xingchun
"Winsway International Petroleum & Chemicals"	Winsway International Petroleum & Chemicals Limited, a company incorporated under the laws of the BVI with limited liability on 18 August 2005 and indirectly wholly-owned by Mr. Wang Xingchun
"Winsway Petroleum Holdings"	Winsway Petroleum Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 9 September 2009 and indirectly wholly-owned by Mr. Wang Xingchun
"Winsway Resources Holdings"	Winsway Resources Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 31 December 2009 and indirectly wholly-owned by Mr. Wang Xingchun

Five-Year Financial Summary

	2018	2017	2016	2015	2014
	$'000	$'000	$'000	$'000	$'000
Continuing operations					
Turnover	**32,817,456**	20,877,959	13,501,746	5,735,319	7,547,738
Profit/(loss) before taxation from continuing operations	**923,713**	1,012,783	2,966,740	(1,752,266)	(1,133,469)
Income tax	**(30,687)**	(108,737)	(94,425)	(3,534)	(82,081)
Profit/(loss) from continuing operations	**893,026**	904,046	2,872,315	(1,755,800)	(1,215,550)
Discontinued operations					
Loss from discontinued operations (net of income tax)	**–**	–	–	(179,587)	(4,681,208)
Profit/(loss) for the year	**893,026**	904,046	2,872,315	(1,935,387)	(5,896,758)
Attributable to:					
Equity shareholders of the Company	**879,772**	904,742	2,873,605	(1,722,992)	(3,693,055)
Non-controlling interests	**13,254**	(696)	(1,290)	(212,395)	(2,203,703)
Profit/(loss) for the year	**893,026**	904,046	2,872,315	(1,935,387)	(5,896,758)
Total assets	**7,790,317**	6,238,606	3,603,883	2,704,567	10,286,821
Total liabilities	**4,669,193**	3,670,278	1,900,614	4,427,735	9,904,233
Non-controlling interests	**(124,257)**	(108,224)	(133,979)	(132,367)	82,211
Total equity attributable to equity shareholders of the Company	**3,245,381**	2,676,552	1,837,248	(1,590,801)	300,377

Company Information

BOARD MEMBERS

Executive Directors

Cao Xinyi (Chairman)
Wang Wengang
Wang Yaxu
Li Jianlou

Non-executive Directors

Guo Lisheng

Independent Non-executive Directors

Ng Yuk Keung
Wang Wenfu
Gao Zhikai

AUDIT COMMITTEE

Chairman

Ng Yuk Keung

Member

Wang Wenfu
Gao Zhikai

REMUNERATION COMMITTEE

Chairman

Wang Wenfu

Member

Cao Xinyi
Ng Yuk Keung

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Chairman

Gao Zhikai

Member

Ng Yuk Keung
Cao Xinyi

HEALTH AND SAFETY AND ENVIRONMENTAL COMMITTEE

Chairman

Wang Yaxu

Member

Wang Wenfu
Gao Zhikai

Company Information

SECRETARY TO THE BOARD

Cao Xinyi

CHIEF FINANCIAL OFFICER

Wang Yaxu

LEGAL COUNSEL

Reed Smith Richards Butler

AUDITORS

KPMG
Certified Public Accountants

REGISTERED OFFICE IN THE BVI

Nerine Trust Company (BVI) Limited,
Nerine Chambers,
PO Box 905,
Road Town, Tortola
BVI

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

Room 12-6, Tower B Guanghua SOHO II,
No. 9 Guanghua Road, Chaoyang District
Beijing, 100020
PRC

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE HONG KONG COMPANIES ORDINANCE

Unit 1902, Floor 19,
Far East Finance Centre,
16 Harcourt Road,
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

ING Bank
Industrial Bank Co., Ltd.
BNP Paribas
CITIC Bank

WEBSITE

www.e-comm.com

HKEX STOCK CODE

1733