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

(Incorporated in the British Virgin Islands with limited liability)
Stock Code: 1733

TO MAKE COMMODITY BUSINESS EASIER

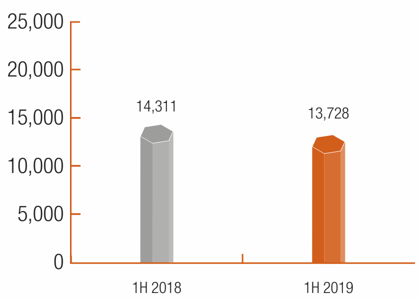
2019 INTERIM REPORT

Contents

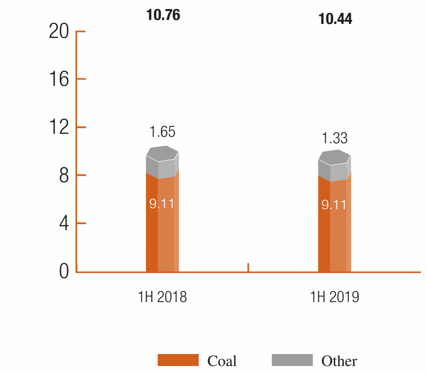
Management Discussion and Analysis

I. OVERVIEW

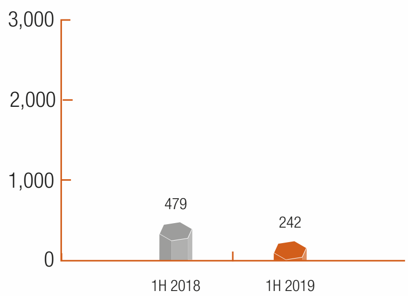
Revenue *(in HK$ million)*



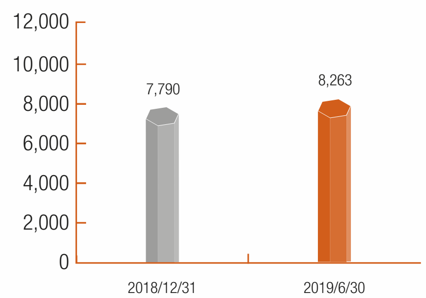
Supply Chain Trading Volume *(million tonnes)*



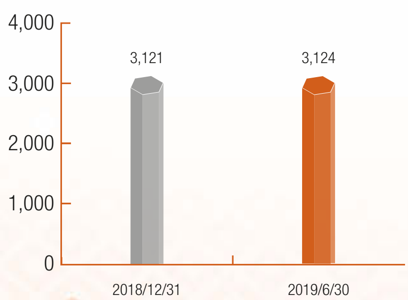
Net Profit *(in HK$ million)*



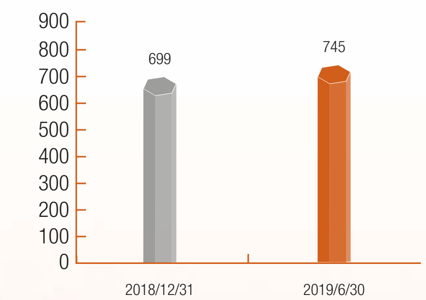
Total Assets *(in HK$ million)*



Total Equity *(in HK$ million)*



Cash Balance *(in HK$ million)*



Management Discussion and Analysis

II. FINANCIAL REVIEW

1. Revenue Overview

In the first half of 2019, E-Commodities Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") recorded consolidated sales revenue of HK$13,728 million, a 4.07% decrease compared to HK$14,311 million in the first half of 2018. The decrease primarily resulted from lower average selling price of coal in the first half of 2019. In the first half of 2019, our supply chain trading volume was 10.44 million tonnes, a 2.97% decrease compared to 10.76 million tonnes in the first half of 2018. In the first half of 2019, our supply chain trading revenue for coal products was HK$11,386 million, accounting for approximately 82.94% of our total sales revenue for the first half of 2019.

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

In the first half of 2019, approximately 82.94% of sales revenue was generated from the sales of coal, compared to approximately 83.27% in the first half of 2018.

In the first half of 2019, sales revenue generated from the sales of petrochemical products and iron ore represented 9.98% and 4.93% of the total sales revenue, respectively, compared to 9.59% and 5.54%, respectively in the first half of 2018.

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Disaggregated by major products of service lines		
– Coal	**11,385,892**	11,916,813
– Petrochemical products	**1,369,498**	1,371,836
– Iron ore	**676,492**	793,003
– Nonferrous metals	**201,381**	156,344
– Rendering of logistics services	**57,526**	67,924
– Coke	**28,320**	–
– Others	**9,235**	5,570
	13,728,344	14,311,490

In the first half of 2019, the Group also expanded its geographic coverage of business to include Turkey, South Korea, India, Poland, Indonesia and others. Approximately HK$2,040 million of sales were generated from outside of the PRC (including Hong Kong, Macau and Taiwan), a 55.73% increase compared to HK$1,310 million in the first half of 2018.

Management Discussion and Analysis

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
The PRC (including Hong Kong, Macau and Taiwan)	**11,688,794**	13,001,089
Turkey	**671,972**	604,225
South Korea	**638,567**	238,247
India	**497,107**	350,425
Poland	**154,405**	–
Indonesia	**77,080**	–
United States	**–**	114,751
Others	**419**	2,753
	13,728,344	14,311,490

In the first half of 2019, the sales revenue from our top five customers accounted for 37.84% of our total sales, whereas the same ratio was 38.46% in the first half of 2018. 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 Trading

In the first half of 2019, our supply chain trading business segment contributed the majority of our total revenue, which was HK$13,662 million representing approximately 99.52% of the total sales revenue. This segment generates income by providing supply chain trading services to our end customers, covering diversified commodities including, among others, coal products, petrochemical products, iron ore and nonferrous metals. For the first half of 2019, revenue from supply chain trading also included added value by rendering warehousing and internal logistics services, which is not yet separable from supply chain trading revenue.

Supply Chain Logistics

Our supply chain logistics segment mainly provides warehousing and logistics services for our supply chain trading business and third parties. In the first half of 2019, this segment generated revenue of HK$58 million, which was generated by providing warehousing and logistics services for third parties.

The Group will continue to focus on our current business and will not expand into other new business areas in the foreseeable future.

Management Discussion and Analysis

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

COGS primarily consists of the purchase price, transportation costs and processing costs. COGS in the first half of 2019 was HK$13,092 million, representing a 3.45% decrease compared to HK$13,560 million in the first half of 2018. The decrease was primarily attributable to the decreased volume of sales in the first half of 2019. The procurement volume and amounts of each commodity are as follows:

	Six months ended 30 June			
	2019		2018	
	Procurement volume '000 tonnes	**Procurement amounts HK$'000**	Procurement volume '000 tonnes	Procurement amounts HK$'000
Coal	**9,038**	**10,515,378**	9,784	11,481,737
Petrochemical products	**254**	**1,429,858**	195	1,444,529
Nonferrous metals	**9**	**199,883**	6	146,084
Iron ore	**1,078**	**654,985**	1,363	750,527
Coke	**15**	**30,312**	–	–
	10,394	**12,830,416**	11,348	13,822,877

In the first half of 2019, total procurement amount was HK$12,830 million, of which, the procurement amount from top five suppliers accounted for 53.26%. No director of the Company ("**Director**") or their close associates (as defined under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")), or shareholder of the Company ("**Shareholder**") owning more than 5% of the issued shares in the Company ("**Shares**"), has any interest in suppliers.

Management Discussion and Analysis

3. Gross Profit

The Group recorded a gross profit of HK$636 million in the first half of 2019, compared to a gross profit of HK$751 million recorded in the first half of 2018. The decrease in gross profit was mainly due to, 1) the slightly decreased gross profit of coking coal; 2) our petrochemical business suffering a loss due to the violent fluctuations in the chemical product market prices.

4. Distribution Costs

Distribution costs were HK$111 million in the first half of 2019, representing a 60.87% increase compared to HK$69 million in the first half of 2018. The increase in distribution costs was mainly due to the increased sales volume of Mongolian coal. Distribution costs include fees and charges incurred for supply chain trading and related logistics and transportation costs, which are mainly related to the sales of Mongolian coal.

5. Administrative Expenses

Administrative expenses were HK$183 million in the first half of 2019, an increase of 32.61% over HK$138 million of administrative expenses incurred in the first half of 2018. This was mainly due to the reversal of an impairment loss as a result of repayments of HK$76 million received from customers in the first half of 2018, which lowered the administrative expenses figure for the first half of 2018. Otherwise, the administrative expenses for the first half of 2019 decreased slightly.

Management Discussion and Analysis

6. Net Finance Costs

Net finance costs were HK$113 million in the first half of 2019, an increase of 28.41% compared to net finance costs of HK$88 million in the first half of 2018. The decrease in the finance income was mainly due to the changes in the fair value of the Convertible Bonds from income to loss. The Company suffered a loss of HK$4 million in the first half of 2019 in contrast to a gain of HK$21 million over the same period of 2018.

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Interest income	**(7,871)**	(2,721)
Changes in fair value on derivative financial instruments	**–**	(21,278)
Finance income	**(7,871)**	(23,999)
Interest on lease liabilities	**2,269**	–
Interest on secured bank loans	**30,033**	22,493
Interest on discounted bills receivable	**39,601**	55,414
Interest on convertible bonds	**23,456**	20,187
Total interest expense	**95,359**	98,094
Bank charges	**14,442**	10,194
Foreign exchange loss, net	**7,219**	3,848
Changes in fair value on derivative financial instruments	**3,838**	–
Finance costs	**120,858**	112,136
Net finance costs	**112,987**	88,137

Management Discussion and Analysis

7. Net Profit and Earnings Per Share

Our net profit was HK$242 million in the first half of 2019, compared to net profit of HK$479 million in the first half of 2018.

Basic earnings per share was HK$0.078 in the first half of 2019. Diluted earnings per share was HK$0.076 in the first half of 2019.

8. Other Current Assets

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Loan to a third party	**–**	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 of each year from 2013 to 2015, inclusive, equal instalments in 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 in any event obliged to repay the entire outstanding principal on or before 31 December 2016.

Management Discussion and Analysis

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

For the year ended 31 December 2015, the Group made an impairment provision of HK$120,189,000 against the remaining outstanding loan balance as at 31 December 2015 based on communication with management of Moveday about the adverse financial and operating conditions 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 HK$41,692,000) from Moveday, including an amount of US$0.73 million (equivalent to approximately HK$5,770,000) payable by the Group in Moveday which was offset against outstanding loan principal.

During the year ended 31 December 2018, the Directors 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 HK$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 HK$41,726,000). As at 31 December 2018, in view of the continuous repayments 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 therefore reversed the remaining balance of the impairment provision. As a result of these events, in total a gain of HK$79,373,000 was 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 HK$21,485,000).

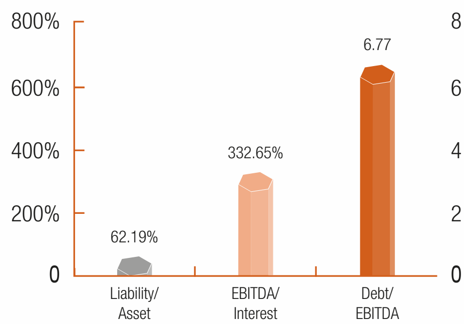
In June 2019, the Group agreed with Moveday outstanding loan interest of US$1.43 million (equivalent to approximately HK$11,183,000) in aggregate and this amount has been recognised in other revenue for the six months ended 30 June 2019. In July 2019, the Group duly recovered such outstanding loan interest in the amount of HK$11,183,000. The Group has recovered full amount of the loan principal and interest from Moveday.

Management Discussion and Analysis

9. Indebtedness and Liquidity

The total amount of bank loans owed by the Group at the end of June 2019 was HK$2,371 million. Interest rates on these loans range from 2.73% to 10.45% per annum, whereas the range for the same period in 2018 was from 2.38% to 7.84%. The Group's gearing ratio at the end of June 2019 was 62.19%, which represents an increase compared to 59.94% at the end of December 2018. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.

Indebtedness and Liquidity

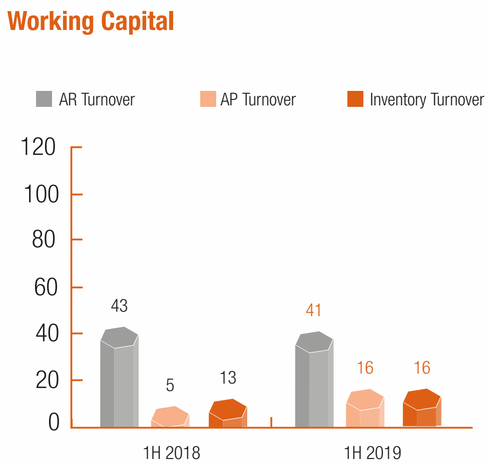


In the supply chain trading business, acceptance bills and letters of credit are common payment methods. After receiving an acceptance bill and the letter of credit, the Group will carry out the recourse discount or pledge loan, and deposit the full margin into the bank to issue the bills payable. This method has very low risk since these two types of business liabilities use cashable bills and cash pledges, which are regarded as low risk borrowing business. According to applicable accounting standards, although such bills receivable are from sales, the cash received from discounted bills receivable and the pledge loans are classified as financing activities in the cash flow statement and are counted as liabilities in the balance sheet. Therefore, they affect the Group's gearing ratio on the period end date of financial statement. Excluding the impact of the accounting treatment for the low risk borrowing and loans pledged by corresponding bank deposits, the Group's adjusted total assets were HK$5,972 million and adjusted total liabilities were HK$2,848 million. The adjusted gearing ratio at the end of June 2019 was 47.69%.

Management Discussion and Analysis

10. Working Capital

In the first half of 2019, our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 41 days, 16 days, and 16 days, respectively. As a result, the overall cash conversion cycle was approximately 41 days, which was 10 days shorter than the Group's cash conversion cycle realised in the first half of 2018.



11. 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 (the "**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.

12. Pledge of Assets

At 30 June 2019, bank loans amounting to HK$829,643,000 (31 December 2018: HK$682,843,000) have been secured by bills receivable with an aggregate carrying value of HK$461,243,000 (31 December 2018: HK$652,720,000) and restricted bank deposits with an aggregate carrying value of HK$379,062,000 (31 December 2018: HK$102,717,000).

At 30 June 2019, bank loans amounting to HK$1,097,826,000 (31 December 2018: HK$1,282,687,000) have been secured by bills receivable with recourse an aggregate carrying value of HK$1,097,826,000 (31 December 2018: HK$1,282,687,000).

At 30 June 2019, bank loans amounting to HK$278,516,000 (31 December 2018: HK$317,919,000) have been secured by property, plant and equipment with an aggregate carrying value of HK$nil (31 December 2018: HK$25,272,000), land use rights with an aggregate carrying value of HK$289,894,000 (31 December 2018: HK$56,954,000), trade receivables with an aggregate carrying value of HK$170,520,000 (31 December 2018: HK$nil) and bills receivable with an aggregate carrying value of HK$23,304,000 (31 December 2018: HK$nil).

Management Discussion and Analysis

At 30 June 2019, bank loans amounting to HK$102,312,000 (31 December 2018: HK$102,717,000) have been secured by credit guarantee with a guarantee amount of HK$102,312,000 (31 December 2018: HK$102,717,000) provided by subsidiaries of the Group.

At 30 June 2019, bank loans amounting to HK$11,368,000 (31 December 2018: HK$nil) have been secured by trade receivables with an aggregate amount of HK$15,413,000 (31 December 2018: HK$nil).

At 30 June 2019, bank loans amounting to HK$51,428,000 (31 December 2018: HK$nil) have been secured by inventories with an aggregate amount of HK$49,485,000 (31 December 2018: HK$nil).

At 30 June 2019, bills payable amounting to HK$307,066,000 (31 December 2018: HK$nil) have been secured by restricted bank deposits with an aggregate carrying value of HK$92,206,000 (31 December 2018: HK$nil), property, plant and equipment with an aggregate carrying value of HK$24,021,000 (31 December 2018: HK$nil) and land use rights with an aggregate carrying value of HK$952,000 (31 December 2018: HK$nil).

At 30 June 2019, bills payable amounting to HK$377,639,000 (31 December 2018: HK$nil) have been secured by restricted bank deposits with an aggregate carrying value of HK$367,527,000 (31 December 2018: HK$nil).

At 30 June 2019, bills payable amounting to HK$386,055,000 (31 December 2018: HK$nil) have been secured by restricted bank deposits with an aggregate carrying value of HK$105,905,000 (31 December 2018: HK$nil) and bills receivable with an aggregate carrying value of HK$89,954,000 (31 December 2018: HK$nil).

At 31 December 2018, bank loans amounting to HK$45,652,000 together with bills payable amounting to HK$180,461,000 have been secured by bank deposits with an aggregate carrying value of HK$46,014,000, land use rights with an aggregate carrying value of HK$238,803,000, and bills receivable with an aggregate carrying value of HK$23,134,000, such collateral have been all released as at 30 June 2019.

As at 30 June 2019, the Company provided credit guarantees for subsidiaries' domestic banks facilities amounting to HK$496 million.

13. Cash Flow

In the first half of 2019, the Group had an operating cash inflow of HK$997 million compared to HK$1,356 million cash outflow during the same period last year. The net cash inflow from operating activities was mainly contributed from cash profit of HK$352 million and net cash inflow of working capital changes of HK$645 million.

In the first half of 2019, the Group had a cash outflow from investing activities of HK$773 million compared to HK$282 million cash inflow during the same period last year. The cash outflow from investing activities in the first half of 2019 was generated mainly due to an increase in restricted bank deposits for bank credit pledges of approximately HK$683 million.

Management Discussion and Analysis

In the first half of 2019, the Group had a cash outflow from financing activities of HK$171 million compared to HK$1,351 million cash inflow during the same period last year. Domestic banks facilities of the Company's subsidiaries have remained at a stable level, the front-to-back facilities from oversea banks have increased. The cash outflow from financing activities was mainly attributable to the reduction of discounted bills receivable and pledges of the bills receivable of approximately HK$314 million.

In the supply chain trading business, acceptance bills and letters of credit are common payment methods. After receiving an acceptance bills and the letters of credit, the Group will carry out the recourse discount or pledge loan, and deposit the full margin into the bank to issue bills payable. This method has very low risk since these two types of business liabilities use cashable bills and cash pledges, which are regarded as low risk borrowing business. According to applicable accounting standards, although such bills receivable are from sales, the cash received from discounted bills receivable and the pledge loans are classified as financing activities in the cash flow statement. Although the bills payable is from procurements, the Group deposits the full margin into the bank to issue the bills payable, which are classified as investment activities in the cash flow statement. Therefore, in order to explain the Group's business activities more clearly, the impact of the above changes is analysed as follows:

	Six months ended 30 June 2019*	**Adjustments**	**Adjusted six months ended 30 June 2019****
	HK$'000		HK$'000
Cash and cash equivalents at 1 January	699,361		699,361
Net cash generated from/(used in) operating activities	996,918	(681,916)	315,002
Net cash generated from/(used in) investing activities	(773,327)	367,527[1]	(405,800)
Net cash generated from/(used in) financing activities	(171,269)	314,389[2]	143,120
Effect of foreign exchange rate changes	(6,719)		(6,719)
Cash and cash equivalents at 30 June	744,964		744,964

Note:

1. Full margin deposit for letter of credit
2. Discounted bills and bill pledged loans

* Derived from condensed consolidated cash flow statement of the Company's interim financial report.

** Illustrative purpose only.

Management Discussion and Analysis

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 operation, loan repayment and capital expenditure. In the first half of 2019, 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 payment 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 the first half of 2019, we increased the factoring amount of accounts receivable. Payment by financing leasing was given priority in capital expenditure.

The main currencies of the Group's business and operation were U.S. dollars and RMB. For business for which purchases are made in U.S. dollars and sales made in RMB, the Group paid a 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 the Group 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 the Group, 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.

2. Dependence upon the Steel Industry

The revenue of the Group was mainly generated from supply chain trading services of coking coal products, which is heavily dependent on the demand for coking coal from 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.

Management Discussion and Analysis

3. Liquidity Risk

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

4. Currency Risk

Over 30.34% of the Group's turnover in the first half of 2019 were denominated in Renminbi. Over 82.81% 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. The Group has partially locked the currency risk of related supply chain trading businesses by adopting corresponding exchange rate policies and derivatives method, however, any unfavourable movement in the exchange rate may still 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.

5. Fair Value Measurement

Certain of 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

V. HUMAN RESOURCES

Employee Overview

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

As at 30 June 2019, the Group had 271 full-time employees (excluding 824 dispatched workers in the PRC subsidiaries). Detailed figures by category of employees are as follows:

Functions	No. of Employee	Percentage
Middle and senior management	38	14%
Front-line production & production support & maintenance	102	38%
Sales & marketing	68	25%
Administrative, finance, human resources and operations, etc.	63	23%
Total	271	100%

Employee Education Overview

Qualifications	No. of Employee	Percentage
Master & above	51	19%
Bachelor	136	50%
Diploma	48	18%
Middle-school (secondary school) & below	36	13%
Total	271	100%

Management Discussion and Analysis

Training Overview

Training is key to the Group to improve the employees' working capabilities and management skills. For the six months ended 30 June 2019, the Group held various internal and external training programs amounting to 250 training hours in total, and 1,909 individuals participated in these programs.

Training Courses	No. of hours	No. of participants
Safety	60	1,339
Management and leadership	94	542
Professional skill	96	28
Total	250	1,909

VI. HEALTH, SAFETY AND ENVIRONMENT

The Group 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 the first half of 2019.

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

As at 30 June 2019, the Company had a total of 3,046,562,356 shares in issue. The Company repurchased a total of 20,160,000 Shares on the Hong Kong Stock Exchange with total settlement cost of HK$7,963,426.60 during six months ended 30 June 2019 pursuant to the repurchase mandate approved by the shareholders of the Company 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 were reduced accordingly.

VIII. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019.

Management Discussion and Analysis

IX. SIGNIFICANT EVENT AFTER 30 JUNE 2019

Major Transaction – Formation of JV Companies

On 25 July 2019, the Company and Xiamen Xiangyu Joint Stock Company Limited* (廈門象嶼股份有限公司) entered into a cooperation agreement (the "**Cooperation Agreement**") in relation to, among other things, the formation of a joint venture in Xiamen (the "**Xiamen JV**") and a joint venture in Singapore (the "**Singapore JV**", together with Xiamen JV, the "**JV Companies**"), to further develop Mongolia's coking coal, thermal coal and domestic coal business. Under the Cooperation Agreement, (1) the registered capital of Xiamen JV shall be RMB2 billion, of which RMB980 million is agreed to be contributed by the Company through its designated subsidiary, representing 49% of the total registered capital of the Xiamen JV; and (2) the Company, through its designated subsidiary, agreed to contribute S$490,000 to subscribe for shares in the Singapore JV representing 49% of the total share capital of the Singapore JV ("**Formation of JV Companies**"). Upon the completion of the Formation of JV Companies, each of the Xiamen JV and the Singapore JV will become an associate of the Company from an accounting perspective. For further information on the Formation of JV Companies, please refer to the Company's announcement dated 25 July 2019 and the circular of Company dated 30 August 2019.

Other Information

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which (a) were required to be notified to the Company and the 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 for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"), to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Name of Directors	Name of Corporations	Nature of Interest	Aggregate number of Shares or underlying Shares	Approximate percentage of interest in the corporation(1)
Cao Xinyi	The Company	Personal interest	12,052,041(2)	0.40%
Wang Wengang	The Company	Personal interest	12,120,511(3)	0.40%
Wang Yaxu	The Company	Personal interest	10,736,190(4)	0.35%
Li Jianlou	The Company	Personal interest and interest of spouse	5,110,030(5)	0.17%

Note:

(1) The percentage shareholding of the Company is calculated on the basis of 3,046,562,356 Shares in issue as at the latest practicable date prior to the printing of this interim report.

(2) Ms. Cao Xinyi holds RSU Awards (as defined below) underlying 3,968,899 Shares, which were subsequently vested in full on 20 July 2019.

(3) Mr. Wang Wengang holds RSU Awards (as defined below) underlying 3,968,899 Shares, which were subsequently vested in full on 20 July 2019.

(4) Mr. Wang Yaxu holds RSU Awards (as defined below) underlying 3,968,899 Shares, which were subsequently vested in full on 20 July 2019.

(5) Mr. Li Jianlou hods RSU Awards (as defined below) underlying 992,224 Shares, which were subsequently vested in full on 20 July 2019, and is deemed to be interested in 2,017,000 Shares held by his spouse.

Save as disclosed above, as at 30 June 2019, so far as is known to any Director or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the 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.

Other Information

SHARE-BASED INCENTIVE PLANS

Restricted Share Unit Scheme

Under the restricted share unit scheme ("**RSU Scheme**") adopted by the Company on 11 June 2012 (as amended on 27 June 2018), the Company may grant restricted share unit awards ("**RSU Awards**") to Directors (including executive Directors, non-executive Directors and independent non-executive Directors), officers and full-time employees of the Company or any of its subsidiaries. An RSU Award gives a participant in the RSU Scheme a conditional right when the RSU Award vests to obtain either Shares (existing Shares in issue or new Shares to be issued by the Company) or an equivalent value in cash with reference to the value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion. The Board may determine the vesting criteria, conditions and the time when the RSU Awards will vest.

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

On 19 January 2019, 52,483,812 RSU Awards were granted under the RSU Scheme, in which, 13,891,145 RSU Awards were granted to Directors as a part of the remuneration package of the service contracts of such Directors. The details of RSU Awards granted to the Directors are set out below:

	RSU Awards granted as at 1 January 2019	RSU Awards granted as at 19 January 2019	RSU Awards vested as at 21 January 2019	RSU Awards lapsed/cancelled during the 6 months ended 30 June 2019
Cao Xinyi	2,819,708	3,968,899	2,819,708	0
Wang Wengang(1)	2,819,708	3,968,899	2,819,708	0
Wang Yaxu	2,819,708	3,968,899	2,819,708	0
Li Jianlou	704,927	992,224	704,927	0
Di Jingmin(2)	704,927	992,224	704,927	0
Others	4,229,562	38,592,667	4,229,562	0
Total	**14,098,540**	**52,483,812**	**14,098,540**	**0**

All RSU Awards granted on 19 January 2019 were vested in full on 20 July 2019.

Note:

(1) On 18 July 2019, Mr. Wang Wengang resigned as an executive Director.
(2) On 18 July 2019, Ms. Di Jingmin was appointed as an executive Director.

Other Information

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2019, 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 or underlying 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)	49.24%
Famous Speech Limited	The Company	Beneficial Owner	1,500,080,608 (L)	49.24%
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)	51.09%
Winsway Group Holdings Limited(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)	51.09%

Other Information

Name of Shareholder	Name of Corporation	Nature of Interest	Aggregate number of Shares or underlying Shares[1]	Approximate percentage of interest in the corporation[9]
China Minmetals Corporation[6]	The Company	Interest of corporation controlled by the substantial shareholder	1,503,195,952 (L)	49.34%
Magnificent Gardenia Limited[6]	The Company	Interest of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under section 317 of the SFO	1,500,080,608 (L)	49.24%
Lord Central Opportunity VII Limited	The Company	Beneficial Owner	550,282,828 (L/S)[7]	18.06%
Pacific Alliance Asia Opportunity Fund L.P.	The Company	Interest of corporation controlled by the substantial shareholder	550,282,828 (L/S)[7]	18.06%
Pacific Alliance Group Asset Management Limited	The Company	Interest of corporation controlled by the substantial shareholder	550,282,828 (L/S)[7]	18.06%
Pacific Alliance Investment Management Limited	The Company	Interest of corporation controlled by the substantial shareholder	550,282,828 (L/S)[7]	18.06%
Pacific Alliance Group Limited	The Company	Interest of corporation controlled by the substantial shareholder	550,282,828 (L/S)[7]	18.06%
PAG Holdings Limited	The Company	Interest of corporation controlled by the substantial shareholder	550,282,828 (L/S)[7]	18.06%

Other Information

Notes:

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

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

3. Mr. Wang Xingchun, Winsway Group Holdings Limited ("**Winsway Group Holdings**"), Winsway Resources Holdings Limited ("**Winsway Resources Holdings**"), Great Start Development Ltd. ("**Great Start**"), Winsway International Petroleum & Chemicals Limited ("**Winsway International Petroleum & Chemicals**", together with Mr. Wang Xingchun, Winsway Group Holdings, Winsway Resources Holdings and Great Start, the "**Mr. Wang's Group**") and Famous Speech have entered into an agreement which is covered by s.317 and s.318 of 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, of which 3,115,344 Shares are held by certain other companies that are 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 of the Company will fall to be issued to Lord Central Opportunity VII Limited. Lord Central Opportunity VII Limited is owned by Pacific Alliance Asia Opportunity Fund L.P. as to 90%. Pacific Alliance Group Asset Management Limited is the general partner of Pacific Asia Opportunity Fund L.P.. The entire issued share capital of Pacific Alliance Group Asset Management Limited is owned by Pacific Alliance Investment Management Limited. Pacific Alliance Investment Management Limited is owned by Pacific Alliance Group Limited as to 90%, which in turn is owned by PAG Holdings Limited as to 99.17%.

8. The percentage shareholding of the Company is calculated on the basis of 3,046,562,356 Shares in issue as at 30 June 2019, as the denominator and the number of Shares that each substantial shareholder is interested in as the numerator.

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions representing 5% or more of the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

AUDIT COMMITTEE

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

During the six months ended 30 June 2019, the audit committee held 1 meeting. The members of the audit committee have reviewed and discussed with the external auditors the Group's unaudited financial statements for the six months ended 30 June 2019, and are of the opinion that such statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure has been made. The above meeting was attended by all three members of the audit committee.

REMUNERATION COMMITTEE

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

The remuneration committee held 1 meeting during the six months ended 30 June 2019, at which the members of the remuneration committee reviewed the remuneration of the Directors and senior management with reference to their duties, responsibilities, experience, qualifications and performance. No Director took part in any discussion about his own remuneration. The meeting was attended by all three members of the remuneration committee.

Other Information

CG CODE

The Company is strongly committed to maintaining high standards of corporate governance, which it regards as a vital element in ensuring its continued success. This commitment is best illustrated by its compliance with the code provisions ("**Code Provisions**") and many of the recommended best practices set out in the CG Code.

Code Provisions

The Company fully complied with all the Code Provisions throughout the six months ended 30 June 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all the Directors, each Director confirmed that he/she has complied with the required standard set out in the Model Code throughout the first half of 2019.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the six months ended 30 June 2019 and up to the latest practicable date prior to the printing of this report, the Company has maintained the amount of public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

BOARD OF DIRECTORS

The composition of the board of Directors is set out below:

Executive Directors:
Ms. Cao Xinyi
Mr. Wang Wengang (resigned on 18 July 2019)
Mr. Wang Yaxu
Mr. Li Jianlou
Ms. Di Jingmin (appointed on 18 July 2019)

Non-executive Director:
Mr. Guo Lisheng

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

Consolidated statement of profit or loss

for the six months ended 30 June 2019 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2019 $'000	2018 (note) $'000
Revenue	4	**13,728,344**	14,311,490
Cost of sales		**(13,092,044)**	(13,560,469)
Gross profit		**636,300**	751,021
Other revenue		**13,271**	1,273
Distribution costs		**(110,548)**	(69,398)
Administrative expenses		**(182,569)**	(138,002)
Other operating (expenses)/income, net		**(18,787)**	38,487
Reversal of impairment of non-current assets	5(c)	**15,800**	16,456
Profit from operating activities		**353,467**	599,837
Finance income	5(a)	**7,871**	23,999
Finance costs	5(a)	**(120,858)**	(112,136)
Net finance costs		**(112,987)**	(88,137)
Share of loss of associates		**(10)**	(1,582)
Profit before taxation		**240,470**	510,118
Income tax	6	**1,037**	(31,386)
Profit for the period		**241,507**	478,732
Attributable to:			
Equity shareholders of the Company		**237,747**	470,178
Non-controlling interests		**3,760**	8,554
Profit for the period		**241,507**	478,732
Earnings per share	7		
Basic (HK$)		**0.078**	0.152
Diluted (HK$)		**0.076**	0.137

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 33 to 66 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 18(a).

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2019 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2019	2018
		(note)
	$'000	$'000
Profit for the period	**241,507**	478,732
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**(551)**	(2,282)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(18,225)**	(27,435)
Total comprehensive income for the period	**222,731**	449,015
Attributable to:		
Equity shareholders of the Company	**219,145**	441,716
Non-controlling interests	**3,586**	7,299
Total comprehensive income for the period	**222,731**	449,015

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 33 to 66 form part of this interim financial report.

Consolidated statement of financial position

at 30 June 2019 – unaudited (Expressed in Hong Kong dollars)

	Note	At 30 June 2019 $'000	At 31 December 2018 (note) $'000
Non-current assets			
Property, plant and equipment, net	8	**492,642**	489,933
Right-of-use assets	3, 9	**529,508**	–
Construction in progress		**83,300**	69,486
Lease prepayments	3	**–**	442,052
Intangible assets		**106,408**	110,312
Interest in associates		**11,316**	11,371
Other investments in equity securities		**106,488**	107,565
Other non-current assets		**13,916**	–
Total non-current assets		**1,343,578**	1,230,719
Current assets			
Inventories	11	**1,171,309**	1,104,851
Trade and other receivables	12	**3,876,929**	4,288,313
Receivables under finance leases		**–**	1,992
Restricted bank deposits	13	**1,126,247**	443,596
Cash and cash equivalents	14	**744,964**	699,361
Other current assets	10	**–**	21,485
Total current assets		**6,919,449**	6,559,598
Current liabilities			
Secured bank loans	16	**2,279,012**	2,339,373
Trade and other payables	15	**2,145,620**	1,666,439
Lease liabilities	3(c)	**39,603**	16,651
Income tax payable		**77,416**	99,917
Convertible bonds payables	17	**335,375**	316,580
Total current liabilities		**4,877,026**	4,438,960
Net current assets		**2,042,423**	2,120,638
Total assets less current liabilities		**3,386,001**	3,351,357

The notes on pages 33 to 66 form part of this interim financial report.

Consolidated statement of financial position

at 30 June 2019 – unaudited (Expressed in Hong Kong dollars)

	Note	At 30 June 2019 $'000	At 31 December 2018 (note) $'000
Non-current liabilities			
Secured bank loans	16	**92,081**	92,445
Lease liabilities	3(c)	**41,924**	7,973
Deferred income		**127,996**	129,815
Total non-current liabilities		**262,001**	230,233
NET ASSETS		**3,124,000**	3,121,124
CAPITAL AND RESERVES			
Share capital	18(b)	**5,789,362**	5,797,302
Reserves		**(2,547,533)**	(2,551,921)
Total equity attributable to equity shareholders of the Company		**3,241,829**	3,245,381
Non-controlling interests		**(117,829)**	(124,257)
TOTAL EQUITY		**3,124,000**	3,121,124

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 33 to 66 form part of this interim financial report.

Consolidated statement of changes in equity

for the six months ended 30 June 2019 – unaudited (Expressed in Hong Kong dollars)

	Share capital $'000 (note 18(b))	Statutory reserve $'000	Employee share trusts $'000	Other reserve $'000	Exchange reserve $'000	Treasury shares $'000	Fair value reserve (non-recycling) $'000	Accumulated loss $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
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
Purchase of own shares	(26,286)	–	–	–	–	26,286	–	–	–	–	–
Contribution to employee share trusts	–	–	(1,998)	–	–	–	–	–	(1,998)	–	(1,998)
Grant of restricted share units to employees	–	–	5,673	2,173	–	–	–	–	7,846	–	7,846
Appropriation to statutory reserve	–	4,621	–	–	–	–	–	(4,621)	–	–	–
Total comprehensive income for the period	–	–	–	–	(26,180)	–	(2,282)	470,178	441,716	7,299	449,015
Dividends declared	–	–	–	–	–	–	–	(106,144)	(106,144)	–	(106,144)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(4,502)	(4,502)
Balance at 30 June 2018 and 1 July 2018	5,822,729	216,259	(22,254)	(23,248)	96,861	–	(23,640)	(3,079,091)	2,987,616	(105,427)	2,882,189
Purchase of own shares	(25,427)	–	–	–	–	–	–	–	(25,427)	–	(25,427)
Contribution to employee share trusts	–	–	(5,989)	–	–	–	–	–	(5,989)	–	(5,989)
Grant of restricted share units to employees	–	–	9,038	(1,220)	–	–	–	–	7,818	–	7,818
Appropriation to statutory reserve	–	13,603	–	–	–	–	–	(13,603)	–	–	–
Total comprehensive income for the period	–	–	–	–	(127,623)	–	(2,177)	409,594	279,794	4,073	283,867
Dividends declared	–	–	1,483	–	–	–	–	86	1,569	–	1,569
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(5,657)	(5,657)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	5,642	5,642
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	(22,888)	(22,888)
Balance at 31 December 2018 (note)	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 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 33 to 66 form part of this interim financial report.

Consolidated statement of changes in equity

for the six months ended 30 June 2019 – unaudited (Expressed in Hong Kong dollars)

	Share capital $'000 (note 18(b))	Statutory reserve $'000	Employee share trusts $'000	Other reserve $'000	Exchange reserve $'000	Treasury shares $'000	Fair value reserve (non-recycling) $'000	Accumulated loss $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2019	**5,797,302**	**229,862**	**(17,722)**	**(24,468)**	**(30,762)**	**-**	**(25,817)**	**(2,683,014)**	**3,245,381**	**(124,257)**	**3,121,124**
Purchase of own shares (note 18(b)(i))	**(7,940)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,940)**	**-**	**(7,940)**
Contribution to employee share trusts (note 18(b)(ii))	**-**	**-**	**(16,926)**	**-**	**-**	**-**	**-**	**-**	**(16,926)**	**-**	**(16,926)**
Grant of restricted share units to employees (note 18(b)(ii))	**-**	**-**	**24,468**	**(3,802)**	**-**	**-**	**-**	**-**	**20,666**	**-**	**20,666**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(18,051)**	**-**	**(551)**	**237,747**	**219,145**	**3,586**	**222,731**
Dividends declared (note 18(a)(ii))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(218,497)**	**(218,497)**	**-**	**(218,497)**
Contribution from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,842**	**2,842**
Balance at 30 June 2019	**5,789,362**	**229,862**	**(10,180)**	**(28,270)**	**(48,813)**	**-**	**(26,368)**	**(2,663,764)**	**3,241,829**	**(117,829)**	**3,124,000**

The notes on pages 33 to 66 form part of this interim financial report.

Condensed consolidated cash flow statement

for the six months ended 30 June 2019 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2019 $'000	2018 (note) $'000
Operating activities			
Profit before taxation		**240,470**	510,118
Net change in inventories, trade and other receivables, trade and other payables		**644,739**	(1,791,828)
Interest expense	5(a)	**95,359**	98,094
Reversal of impairment losses on non-current assets	5(c)	**(15,800)**	(16,456)
Net realised and unrealised losses/(gain) on in fair value derivative financial instruments		**20,102**	(65,171)
Impairment/(reversal of impairment) losses on trade and other receivables	5(c)	**154**	(77,214)
Other adjustments		**36,935**	11,811
Income tax paid		**(25,041)**	(25,306)
Net cash generated from/(used in) operating activities		**996,918**	(1,355,952)
Investing activities			
Payment for purchase of property, plant and equipment, construction in progress, right-of-use assets and intangible assets		**(92,302)**	(42,689)
Repayment of loan from a third party	10	**21,485**	16,456
(Increase)/decrease in restricted bank deposits		**(682,651)**	309,413
Net cash outflows from acquisition of an associate		**–**	(4,744)
Other cash flows arising from investing activities		**(19,859)**	3,279
Net cash (used in)/generated from investing activities		**(773,327)**	281,715
Financing activities			
Capital element of lease rentals paid		**(15,470)**	(7,942)
Interest element of lease rentals paid		**(2,460)**	(416)
Proceeds from bank loans		**7,411,145**	5,649,361
Repayment of bank loans		**(7,463,147)**	(4,190,626)
Interests paid		**(78,119)**	(93,574)
Dividends paid to equity shareholders of the Company		**(344)**	(1,726)
Dividends paid to non-controlling interests		**–**	(4,502)
Contribution to employee share trusts		**(16,926)**	(1,998)
Other cash flows arising from financing activities		**(5,948)**	2,251
Net cash (used in)/generated from financing activities		**(171,269)**	1,350,828
Net increase in cash and cash equivalents		**52,322**	276,591
Cash and cash equivalents at 1 January	14	**699,361**	550,615
Effect of foreign exchange rate changes		**(6,719)**	(2,695)
Cash and cash equivalents at 30 June	14	**744,964**	824,511

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 33 to 66 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

E-Commodities Holdings Limited (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 BASIS OF PREPARATION

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards issued by the IASB ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors is included on page 67 to 68.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, Leases, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to offices, vehicles and railway platforms.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out a number of properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 7.14%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

– the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 $'000
Operating lease commitments at 31 December 2018	41,346
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(148)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	563
Less: total future interest expenses	(11,643)
Present value of lease payments, discounted using the incremental borrowing rate at 1 January 2019	30,118
Add: finance lease liabilities recognised as at 31 December 2018	24,624
Total lease liabilities recognised at 1 January 2019	54,742

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Transitional impact (Continued)

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 $'000	Capitalisation of operating lease contracts $'000	Carrying amount at 1 January 2019 $'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment, net	489,933	(35,469)	454,464
Right-of-use assets	–	508,630	508,630
Lease prepayments	442,052	(442,052)	–
Total non-current assets	**1,230,719**	**31,109**	**1,261,828**
Trade and other receivables	4,288,313	(991)	4,287,322
Total current assets	**6,559,598**	**(991)**	**6,558,607**
Lease liabilities (current)	16,651	12,607	29,258
Total current liabilities	**4,438,960**	**12,607**	**4,451,567**
Net current assets	**2,120,638**	**(13,598)**	**2,107,040**
Total assets less current liabilities	**3,351,357**	**17,511**	**3,368,868**
Lease liabilities (non-current)	7,973	17,511	25,484
Total non-current liabilities	**230,233**	**17,511**	**247,744**
Net assets	**3,121,124**	**–**	**3,121,124**

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**39,603**	**44,170**	29,258	30,632
After 1 year but within 2 years	**18,540**	**21,412**	16,263	17,273
After 2 years but within 5 years	**17,607**	**20,810**	4,640	5,602
After 5 years	**5,777**	**11,888**	4,581	12,878
	41,924	**54,110**	25,484	35,753
	81,527	**98,280**	54,742	66,385
Less: total future interest expenses		**(16,753)**		(11,643)
Present value of lease liabilities		**81,527**		54,742

(d) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) Impact on the financial result, segment results and cash flows of the Group (Continued)

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A) $'000	Add back: IFRS 16 depreciation and interest expense (B) $'000	Deduct: Estimated amounts related to operating leases as if under IAS 17 (note 1) (C) $'000	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B+C) $'000	Compared to amounts reported for 2018 under IAS 17 $'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**353,467**	**5,239**	**(6,488)**	**352,218**	**599,837**
Net finance costs	(112,987)	2,269	–	(110,718)	(88,137)
Profit before taxation	**240,470**	**7,508**	**(6,488)**	**241,490**	**510,118**
Profit for the period	**241,507**	**7,508**	**(6,488)**	**242,527**	**478,732**
Reportable segment profit (adjusted EBITDA) for the six months ended 30 June 2019 (*note 4(b)*) impacted by the adoption of IFRS 16:					
– Processing and trading of coal and other products	375,465	7,508	(6,488)	376,485	517,764
– Logistics services	10,919	–	–	10,919	17,821

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under IFRS 16 (A) $'000	Estimated amounts related to operating leases as if under IAS 17 (notes 1 & 2) (B) $'000	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) $'000	Compared to amounts reported for 2018 under IAS 17 $'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Other adjustments	36,935	(8,241)	28,694	11,811
Net cash generated from/(used in) operating activities	996,918	(8,241)	988,677	(1,355,952)
Capital element of lease rentals paid	(15,470)	6,488	(8,982)	(7,942)
Interest element of lease rentals paid	(2,460)	1,753	(707)	(416)
Net cash (used in)/generated from financing activities	(171,269)	8,241	(163,028)	1,350,828

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

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(Expressed in Hong Kong dollars unless otherwise indicated)

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.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
– Coal	**11,385,892**	11,916,813
– Petrochemical products	**1,369,498**	1,371,836
– Iron ore	**676,492**	793,003
– Nonferrous metals	**201,381**	156,344
– Rendering of logistics services	**57,526**	67,924
– Coke	**28,320**	–
– Others	**9,235**	5,570
	13,728,344	14,311,490
Disaggregated by geographical location of customers		
– The PRC (including Hong Kong, Macau and Taiwan)	**11,688,794**	13,001,089
– Turkey	**671,972**	604,225
– Korea	**638,567**	238,247
– India	**497,107**	350,425
– Poland	**154,405**	–
– Indonesia	**77,080**	–
– United States	**–**	114,751
– Others	**419**	2,753
	13,728,344	14,311,490

For the six months ended 30 June 2019, among the Group's revenue from the trading of coal and other products, $969,787,000 (six months ended 30 June 2018: $1,461,954,000) was traded under framework contracts signed with certain third party companies pursuant to which those third party companies act as agents of the Group to sign sale and purchase contracts with customers and suppliers whilst the Group is responsible for identifying customers and suppliers and negotiating and determining the price, quantity of the commodities and transportation and payment terms with customers and suppliers, respectively.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as 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 period is set out below.

	Processing and trading of coal and other products		Logistics services		Total	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
For the six months ended 30 June						
Disaggregated by timing of revenue recognition						
Point in time	**13,670,818**	14,243,566	**–**	–	**13,670,818**	14,243,566
Over time	**–**	–	**57,526**	67,924	**57,526**	67,924
Revenue from external customers	**13,670,818**	14,243,566	**57,526**	67,924	**13,728,344**	14,311,490
Inter-segment revenue	**–**	–	**15,123**	1,191	**15,123**	1,191
Reportable segment revenue	**13,670,818**	14,243,566	**72,649**	69,115	**13,743,467**	14,312,681
Reportable segment profit (adjusted EBITDA)	**375,465**	517,764	**10,919**	17,821	**386,384**	535,585
Interest income	**7,521**	2,531	**350**	190	**7,871**	2,721
Interest expense	**(95,359)**	(98,094)	**–**	–	**(95,359)**	(98,094)
Depreciation and amortisation	**(47,062)**	(27,889)	**(1,501)**	(1,529)	**(48,563)**	(29,418)
Reversal of impairment of non-current assets	**15,800**	16,456	**–**	–	**15,800**	16,456
(Provision)/Reversal of provision for impairment losses on trade and other receivables	**(139)**	79,536	**(15)**	(2,322)	**(154)**	77,214
Shares of loss of associates	**–**	–	**(10)**	(1,582)	**(10)**	(1,582)
Additions to non-current segment assets during the period	**107,472**	144,965	**2,353**	747	**109,825**	145,712
As at 30 June/31 December						
Reportable segment assets	**8,351,761**	7,888,489	**185,286**	175,129	**8,537,047**	8,063,618
Reportable segment liabilities	**4,995,542**	4,504,549	**351,405**	349,399	**5,346,947**	4,853,948

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Information about profit or loss, assets and liabilities (Continued)

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 for impairment losses on trade and other receivables.

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018 (note)
	$'000	$'000
Reportable segment profit	**386,384**	535,585
Share of loss of associates	**(10)**	(1,582)
Depreciation and amortisation	**(48,563)**	(29,418)
Net finance costs	**(112,987)**	(88,137)
Reversal of impairment of non-current assets	**15,800**	16,456
(Provision)/Reversal of provision for impairment losses on trade and other receivables, net	**(154)**	77,214
Consolidated profit before taxation	**240,470**	510,118

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2019	2018 (note)
	$'000	$'000
Interest income	**(7,871)**	(2,721)
Changes in fair value on derivative financial instruments	**–**	(21,278)
Finance income	**(7,871)**	(23,999)
Interest on lease liabilities	**2,269**	–
Interest on secured bank loans	**30,033**	22,493
Interest on discounted bills receivable	**39,601**	55,414
Interest on convertible bonds (note 17)	**23,456**	20,187
Total interest expense	**95,359**	98,094
Bank charges	**14,442**	10,194
Foreign exchange loss, net	**7,219**	3,848
Changes in fair value on derivative financial instruments (note 17)	**3,838**	–
Finance costs	**120,858**	112,136
Net finance costs	**112,987**	88,137

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Salaries, wages, bonus and other benefits	**103,054**	131,180
Contributions to defined contribution retirement plan	**3,815**	3,571
Long-term incentive program granted	**–**	7,846
	106,869	142,597

(c) Other items

	Six months ended 30 June	
	2019	2018
		(note)
	$'000	$'000
Amortisation and depreciation*		
– property, plant and equipment	**27,980**	20,289
– right-of-use assets**	**16,942**	–
– lease prepayments**	**–**	6,051
– intangible assets	**3,641**	3,078
Provision/(Reversal of provision) for impairment losses		
– trade receivables	**578**	(75,583)
– other receivables	**–**	(427)
– bills receivable	**(424)**	(1,204)
Reversal of impairment of non-current assets		
– property, plant and equipment	**(15,800)**	–
– loan to a third party	**–**	(16,456)
Cost of inventories*	**13,057,961**	13,519,382

* Cost of inventories included $21,495,000 (six months ended 30 June 2018: $21,283,000) and $17,527,000 (six months ended 30 June 2018: $14,307,000) for the six months ended 30 June 2019 relating to staff costs, depreciation and amortisation which amount was also included in the respective total amount disclosed separately above or in note 5(b) for each type of these expenses.

** Upon the adoption IFRS 16, depreciation of finance lease assets was reclassified from "property, plant and equipment" to "right-of-use assets", and amortisation of lease prepayments were reclassified from "lease prepayments" to "right-of-use assets".

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	**10,515**	15,995
Current tax – Outside of Hong Kong		
Provision for the period	**6,733**	14,271
(Over)/Under-provision in respect of prior years (note)	**(18,285)**	1,120
	(1,037)	31,386

Note: The Group's subsidiary E-Commodities Holdings Private Limited ("E-Commodities Singapore") was incorporated in Singapore. During the six months ended 30 June 2019, 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 year ended 31 December 2018 (statutory tax rate: 17%). Therefore, the Group reversed income tax payable of $16,249,000 during the six months ended 30 June 2019.

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% (2018: 16.5%) of the estimated assessable profits for the period.

The provision for PRC current income tax is based on a statutory rate of 25% (2018: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

According to the High-tech Enterprise Certificate No. GR201815000227 issued by Inner Mongolia Provincial Department of Science and Technology, Inner Mongolia Provincial Department of Finance and Inner Mongolia Provincial State Revenue, Urad Zhongqi Yiteng Mining Co., Ltd., a subsidiary of the Group, was entitled to High Tech Enterprise qualification and benefit from a preferential tax rate of 15% from 1 January 2018 to 31 December 2020.

According to Article 2 of Notice on Issues Concerning Tax Policies on Further Implementing the Strategy of Western Development issued by the Ministry of Finance, General Administration of Customs and State Administration of Taxation [Cai Shui (2011) No.58], Erlianhaote Haotong Energy Co., Ltd., a subsidiary of the Group, is an enterprise under the preferred industry set up in the western region, which was entitled to a preferential tax rate of 15% from 1 January 2018 to 31 December 2020.

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

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7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2019 is based on profit attributable to equity shareholders of the Company of $237,747,000 (six months ended 30 June 2018: $470,178,000) and the weighted average number of ordinary shares of 3,055,074,000 (six months ended 30 June 2018: 3,088,228,000 shares) in issue during the six months ended 30 June 2019, calculated as follows:

Weighted average number of ordinary shares (basic):

	Six months ended 30 June	
	2019	2018
	'000	'000
Issued ordinary shares at 1 January	**3,066,723**	3,157,299
Effect of purchase of own shares (note 18(b)(i))	**(19,285)**	(35,424)
Effect of shares held by the employee share trusts*	**7,636**	(33,647)
Weighted average number of ordinary shares (basic) as at 30 June	**3,055,074**	3,088,228

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

(b) Diluted earnings per share

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

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Profit attributable to ordinary equity shareholders	**237,747**	470,178
Effect of potential ordinary shares – convertible bonds	**27,115**	3,346
Profit attributable to ordinary equity shareholders (diluted)	**264,862**	473,524

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(Expressed in Hong Kong dollars unless otherwise indicated)

7 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (Continued)

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

	Six months ended 30 June	
	2019	2018
	’000	’000
Weighted average number of ordinary shares as at 30 June	**3,055,074**	3,088,228
Effect of potential ordinary shares – convertible bonds	**432,222**	361,021
Weighted average number of ordinary shares (diluted) as at 30 June	**3,487,296**	3,449,249

8 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Acquisitions and disposals

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with the amount of $33,412,000 (six months ended 30 June 2018: $57,646,000). On the other hand, items of property, plant and equipment with a net book value of $5,786,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: $9,268,000), resulting in a loss on disposal of $1,565,000 (six months ended 30 June 2018: loss on disposal of $4,392,000).

(b) Transfer from construction in progress

During the six months ended 30 June 2019, construction in progress with a cost of $21,989,000 (six months ended 30 June 2018: $7,324,000) has been transferred into property, plant and equipment.

(c) As at 30 June 2019, property ownership certificates of certain properties of the Group with an aggregate net book value of $7,368,000 (31 December 2018: $7,949,000) are yet to be obtained.

(d) As at 30 June 2019, property, plant and equipment of the Group of $24,021,000 (31 December 2018: $nil) have been pledged as collateral for the Group’s bills payable (see note 15).

As at 31 December 2018, property, plant and equipment of the Group of $25,272,000 have been pledged as collateral for the Group’s borrowings (see note 16). During the six months ended 30 June 2019, such collateral have been released.

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9 RIGHT-OF-USE ASSETS

	Land $'000	Others $'000	Total $'000
Cost:			
At 1 January 2019	558,312	71,476	629,788
Additions	41	40,060	40,101
Exchange adjustments	(2,202)	(569)	(2,771)
At 30 June 2019	556,151	110,967	667,118
Accumulated amortisation and impairment losses:			
At 1 January 2019	(116,260)	(4,898)	(121,158)
Charge for the year	(5,695)	(11,247)	(16,942)
Exchange adjustments	418	72	490
At 30 June 2019	(121,537)	(16,073)	(137,610)
Net book value:			
At 1 January 2019	442,052	66,578	508,630
At 30 June 2019	434,614	94,894	529,508

The right-of-use assets represents the lease on land, offices, vehicles and railway platforms.

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10 OTHER CURRENT ASSETS

	At 30 June 2019 $'000	At 31 December 2018 $'000
Loan to a third party	**–**	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.

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).

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10 OTHER CURRENT ASSETS (CONTINUED)

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 therefore reversed the remaining balance of the impairment provision. As a result of these events, in total a gain of $79,373,000 was 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).

In June 2019, the Group has mutually agreed with Moveday that the outstanding loan interest in aggregate is US$1.43 million (equivalent to approximately $11,183,000) and this amount has been recognised in other revenue for the six months ended 30 June 2019. In July 2019, the Group has recovered such outstanding loan interest of $11,183,000.

11 INVENTORIES

	At 30 June 2019 $'000	At 31 December 2018 $'000
Coal	**1,115,803**	1,086,224
Petrochemical products	**9,813**	1,632
Others	**45,693**	16,995
	1,171,309	1,104,851

At 30 June 2019, inventories of the Group of $49,485,000 (31 December 2018: $nil) have been pledged as collateral for the Group's borrowings (see note 16).

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12 TRADE AND OTHER RECEIVABLES

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:

	At 30 June 2019 **$'000**	At 31 December 2018 (note) $'000
Within 3 months	**2,375,157**	2,282,307
3 to 6 months	**422,756**	1,146,438
6 to 12 months	**22,849**	55,214
Trade debtors and bills receivable, net of loss allowance	**2,820,762**	3,483,959
Other debtors	**36,132**	26,969
Financial assets measured at amortised cost	**2,856,894**	3,510,928
Deposits and prepayments	**867,604**	617,158
Other tax recoverable	**121,668**	155,564
Derivative financial instruments*	**30,763**	4,663
	3,876,929	4,288,313

* As at 30 June 2019 and 31 December 2018, derivative financial instruments represented the fair value of commodity futures contracts entered into by the Group.

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

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

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

At 30 June 2019, bills receivable of the Group of $461,243,000 (31 December 2018: $652,720,000) together with restricted bank deposits of $379,062,000 (31 December 2018: $102,717,000) have been pledged as collateral for the Group's borrowings (see note 16).

At 30 June 2019, bills receivable of the Group of $1,097,826,000 (31 December 2018: $1,282,687,000) have been discounted to banks with recourse (see note 16).

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12 TRADE AND OTHER RECEIVABLES (CONTINUED)

At 30 June 2019, trade receivables of the Group of $15,413,000 (31 December 2018: $nil) have been pledged as collateral for the Group's borrowings (see note 16).

At 30 June 2019, trade receivables of the Group of $170,520,000 (31 December 2018: $nil) together with bills receivable of the Group of $23,304,000 (31 December 2018: $nil), land use rights of $289,894,000 (31 December 2018: $56,954,000) and property, plant and equipment of $nil (31 December 2018: $25,272,000) have been pledged as collateral for the Group's borrowings (see note 16).

At 30 June 2019, bills receivable of the Group of $89,954,000 (31 December 2018: $nil) together with restricted bank deposits of $105,905,000 (31 December 2018: $nil) have been pledged as collateral for the Group's bills payable (see note 15).

At 31 December 2018, bills receivable of the Group of $23,134,000 together with land use rights of $238,803,000 and restricted bank deposits of $46,014,000 have been pledged as collateral for the Group's borrowings (see note 16) and bills payable (see note 15). During the six months ended 30 June 2019, such collateral have been released.

13 RESTRICTED BANK DEPOSITS

The Group has pledged bank deposits of $944,700,000 (31 December 2018: $148,731,000) as at 30 June 2019 as collateral for the Group's borrowings (see note 16) and banking facilities in respect of issuance of bills and letters of credit by the Group (see note 15).

14 CASH AND CASH EQUIVALENTS

	At 30 June 2019 $'000	At 31 December 2018 $'000
Cash at bank and in hand	**744,964**	699,361

At 30 June 2019, cash and cash equivalents of $628,618,000 (31 December 2018: $566,375,000) was held by the entities of the Group in form of RMB in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

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15 TRADE AND OTHER PAYABLES

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

	At 30 June 2019 $'000	At 31 December 2018 $'000
Within 3 months	**884,394**	883,505
More than 3 months but less than 6 months	**465,905**	31,596
More than 6 months but less than 1 year	**105**	88
More than 1 year	**5,747**	9,970
Total trade and bills payable	**1,356,151**	925,159
Prepayments from customers	**310,555**	229,220
Payables in connection with construction projects	**27,940**	32,573
Payables for purchase of equipment	**16,461**	25,104
Payables for staff related costs	**17,462**	169,809
Payables for other taxes	**108,804**	172,465
Dividend payables	**222,473**	4,320
Others	**85,774**	107,789
	2,145,620	1,666,439

At 30 June 2019, bills payable amounting to $307,066,000 (31 December 2018: $nil) have been secured by restricted bank deposits with an aggregate carrying value of $92,206,000 (31 December 2018: $nil), property, plant and equipment with an aggregate carrying value of $24,021,000 (31 December 2018: $nil) and land use rights with an aggregate carrying value of $952,000 (31 December 2018: $nil).

At 30 June 2019, bills payable amounting to $377,639,000 (31 December 2018: $nil) have been secured by restricted bank deposits with an aggregate carrying value of $367,527,000 (31 December 2018: $nil).

At 30 June 2019, bills payable amounting to $386,055,000 (31 December 2018: $nil) have been secured by restricted bank deposits with an aggregate carrying value of $105,905,000 (31 December 2018: $nil) and bills receivable with an aggregate carrying value of $89,954,000 (31 December 2018: $nil).

At 31 December 2018, bills payable amounting to $180,461,000 together with bank loans amounting to $45,652,000 have been secured by restricted bank deposits with an aggregate carrying value of $46,014,000, land use rights with an aggregate carrying value of $238,803,000 and bills receivable with an aggregate carrying value of $23,134,000. During the six months ended 30 June 2019, such collateral have been released.

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16 SECURED BANK LOANS

(a) The secured bank loans comprise:

	At 30 June 2019 $'000	At 31 December 2018 $'000
Short-term loans	**2,279,012**	2,339,373
Long-term loans	**92,081**	92,445
	2,371,093	2,431,818

The interest rates per annum of bank loans were:

	At 30 June 2019	At 31 December 2018
Short-term loans	**2.73%-10.45%**	3.03%-10.45%
Long-term loans	**10.45%**	10.45%

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

	At 30 June 2019 $'000	At 31 December 2018 $'000
Within 1 year	**2,279,012**	2,339,373
After 1 year but within 2 years	**92,081**	92,445
	2,371,093	2,431,818

At 30 June 2019, bank loans amounting to $829,643,000 (31 December 2018: $682,843,000) have been secured by bills receivable with an aggregate carrying value of $461,243,000 (31 December 2018: $652,720,000) and restricted bank deposits with an aggregate carrying value of $379,062,000 (31 December 2018: $102,717,000).

At 30 June 2019, bank loans amounting to $1,097,826,000 (31 December 2018: $1,282,687,000) have been secured by bills receivable with recourse an aggregate carrying value of $1,097,826,000 (31 December 2018: $1,282,687,000).

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16 SECURED BANK LOANS (CONTINUED)

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

At 30 June 2019, bank loans amounting to $278,516,000 (31 December 2018: $317,919,000) have been secured by property, plant and equipment with an aggregate carrying value of $nil (31 December 2018: $25,272,000), land use rights with an aggregate carrying value of $289,894,000 (31 December 2018: $56,954,000), trade receivables with an aggregate carrying value of $170,520,000 (31 December 2018: $nil) and bills receivable with an aggregate carrying value of $23,304,000 (31 December 2018: $nil).

At 30 June 2019, bank loans amounting to $102,312,000 (31 December 2018: $102,717,000) have been secured by credit guarantee with a guarantee amount of $102,312,000 (31 December 2018: $102,717,000) provided by subsidiaries of the Group.

At 30 June 2019, bank loans amounting to $11,368,000 (31 December 2018: $nil) have been secured by trade receivables with an aggregate carrying value of $15,413,000 (31 December 2018: $nil).

At 30 June 2019, bank loans amounting to $51,428,000 (31 December 2018: $nil) have been secured by inventories with an aggregate carrying value of $49,485,000 (31 December 2018: $nil).

At 31 December 2018, bank loans amounting to $45,652,000 together with bills payable amounting to $180,461,000 have been secured by restricted bank deposits with an aggregate carrying value of $46,014,000, land use rights with an aggregate carrying value of $238,803,000, and bills receivable with an aggregate carrying value of $23,134,000. During the six months ended 30 June 2019, such collateral have been released.

17 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	43,000	–	–	43,000
Repayment	(15,630)	–	–	(15,630)
Fair value adjustment	–	(26,993)	(9,318)	(36,311)
Exchange adjustment	932	–	–	932
At 31 December 2018 and 1 January 2019	254,424	61,920	236	316,580
Interest charged during the period (note 5(a))	23,456	–	–	23,456
Repayment	(7,840)	–	–	(7,840)
Fair value adjustment (note 5(a))	–	3,659	179	3,838
Exchange adjustment	(659)	–	–	(659)
At 30 June 2019	269,381	65,579	415	335,375

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17 CONVERTIBLE BONDS PAYABLES (CONTINUED)

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 was 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.

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.

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18 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

There is no interim dividend declared attributable to the six months ended 30 June 2019 (six months ended 30 June 2018: $nil).

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

	Six months ended 30 June	
	2019 **$'000**	2018 $'000
Final dividend in respect of the previous financial year, approved during the following interim period, of $0.072 per share (six months ended 30 June 2018: $0.034 per share)	**218,497**	106,144

(b) Share capital

	At 30 June 2019 No. of shares '000	At 31 December 2018 No. of shares '000
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

	2019		2018	
	No. of shares '000	**$'000**	No. of shares '000	$'000
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	**3,066,723**	**5,797,302**	3,157,299	5,849,015
Purchase of own shares (note i)	**(20,160)**	**(7,940)**	(90,576)	(51,713)
At 30 June 2019/31 December 2018	**3,046,563**	**5,789,362**	3,066,723	5,797,302

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18 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital (Continued)

(i) Purchase of own shares

During the six months ended 30 June 2019, the Company cancelled in aggregate of 20,160,000 of its own shares which were purchased from the open market.

(ii) Employee share trust

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

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

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

During the six months ended 30 June 2019, the Company granted certain RSU Award in respect of an aggregate of 52,484,000 ordinary shares of the Company to certain grantees pursuant to the RSU Scheme. The ordinary shares of the Company underlying the grant of RSU Awards was settled by existing ordinary shares of the Company held by the employee share trusts.

During the six months ended 30 June 2019, the fair value of the granted ordinary shares was $20,666,000 based on quoted price of the Company's shares on the grant date, of which $24,468,000 was credited to the employee share trusts based on the weighted average cost of the granted ordinary shares, and the balance of $3,802,000 was debited to the other reserve.

In addition, the Company has repurchased on-market own shares in aggregate of 42,792,000 shares (six months ended 30 June 2018: 2,964,000 shares) at a cash consideration of $16,926,000 (six months ended 30 June 2018: $1,998,000) under the RSU Scheme during the period ended 30 June 2019.

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18 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) 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.

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 interest-bearing loans and borrowings, and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognizes right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused an increase in the Group's total debt and hence the Group's adjusted net debt-to-capital ratio rose from 77% to 78% on 1 January 2019 when compared to its position as at 31 December 2018.

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18 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Capital management (Continued)

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to IFRS 16 was as follows:

	Note	**30 June 2019 $'000**	1 January 2019 (note) $'000	31 December 2018 (note) $'000
Current liabilities:				
Secured bank loans	16	**2,279,012**	2,339,373	2,339,373
Convertible bonds payables	17	**269,381**	254,424	254,424
Lease liabilities		**39,603**	29,258	16,651
		2,587,996	2,623,055	2,610,448
Non-current liabilities:				
Secured bank loans	16	**92,081**	92,445	92,445
Lease liabilities		**41,924**	25,484	7,973
Total debt		**2,722,001**	2,740,984	2,710,866
Add: Proposed dividends	18(a)	**–**	218,497	218,497
Less: Cash and cash equivalents	14	**(744,964)**	(699,361)	(699,361)
Adjusted net debt		**1,977,037**	**2,260,120**	**2,230,002**
Total equity		**3,124,000**	3,121,124	3,121,124
Less: Proposed dividends	18(a)	**–**	(218,497)	(218,497)
Adjusted capital		**3,124,000**	**2,902,627**	**2,902,627**
Adjusted net debt-to-capital ratio		**63%**	**78%**	**77%**

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

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 3.

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(Expressed in Hong Kong dollars unless otherwise indicated)

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) 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.

	Fair value at 30 June 2019 $'000	Fair value measurements as at 30 June 2019 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments				
– Commodity futures contracts	**30,763**	**30,763**	**–**	**–**
Unlisted equity securities				
– Other investment in equity securities	**106,488**	**–**	**–**	**106,488**
Financial liabilities:				
Derivative financial instruments				
– Conversion option embedded in convertible bonds	**65,579**	**–**	**–**	**65,579**
– Warrants	**415**	**–**	**–**	**415**

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Fair value hierarchy (Continued)

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

During the six months ended 30 June 2019, there have been no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: $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.

Information about Level 3 fair value measurements

	Valuation techniques $'000	Unobservable input $'000	Range $'000
Convertible bonds payables – derivatives embedded in convertible bonds	Binomial tree approach	Expected volatility	11% to 27% (2018: 15% to 30%)
Convertible bonds payables – warrants	Binomial tree approach	Expected volatility	11% to 27% (2018: 15% to 30%)
Unlisted equity securities	Adjusted net assets method	Marketability discount	10% (2018: 10%)

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Fair value hierarchy (Continued)

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

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Unlisted equity securities:		
At 1 January	**107,565**	103,990
Net unrealised gain or losses recognised in other comprehensive income during the period	**(551)**	(2,282)
Exchange adjustments	**(526)**	(1,069)
At 30 June	**106,488**	100,639

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Conversion option embedded in convertible bonds payables and warrants:		
At 1 January	**62,156**	98,467
Changes in fair value recognised in profit or loss during the period	**3,838**	(21,278)
At 30 June	**65,994**	77,189
Total gains or losses for the period included in profit or loss assets held at the end of the reporting period	**3,838**	(21,278)

Any gains or losses arising from the remeasurement of the Group's other investments in 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.

The gains or losses arising from the remeasurement of the conversion option embedded in convertible bonds payables and warrants are presented in the "other operating expenses, net" line item in the consolidated statement of profit or loss.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Short-term employee benefits	**13,714**	17,206
Equity compensation benefits	**–**	7,846
	13,714	25,052

(b) Transactions with other related parties

In addition to the balances disclosed elsewhere in this interim financial report, the Group has no material related party transactions during the six months ended 30 June 2019 and 2018.

21 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2019 not provided for in the interim financial statements are as follows:

	At 30 June 2019 $'000	At 31 December 2018 $'000
Contracted for	**102,630**	109,112

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

	Buildings and others $'000
Within 1 year	13,168
After 1 year but within 5 years	15,461
After 5 years	12,717
	41,346

The Group is the lessee in respect of a number of offices and vehicles held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 3.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

22 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

23 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 25 July 2019, the Company entered into the cooperation agreement with Xiamen Xiangyu Joint Stock Company Limited ("Xiamen Xiangyu"), a PRC state-owned enterprise, in relation to, among others, the formation of joint ventures in Xiamen, PRC ("Xiamen JV") and Singapore ("Singapore JV") ("JV Companies"). Under the cooperation agreement, (1) the registered capital of Xiamen JV will be RMB2 billion, of which RMB980 million to be contributed by the Company through its designated subsidiary, representing 49% of the total registered capital of the Xiamen JV; and (2) the Company, through its designated subsidiary, contribute Singapore dollar 490,000 to subscribe for shares in the Singapore JV representing 49% of the total share capital of the Singapore JV.

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

(Incorporated in the British Virgin Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 26 to 66 which comprises the consolidated statement of financial position of E-Commodities Holdings Limited (the "Company") as of 30 June 2019 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

BASIS FOR QUALIFIED CONCLUSION

In our auditor's report on the Group's financial statements for the year ended 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. The impairment provision as at 31 December 2017 amounted to US$10.16 million (equivalent to approximately $79,373,000) which represented full provision of the respective outstanding amount due from Moveday as at 31 December 2017.

In our review report on the Group's financial statements for the six months ended 30 June 2018, given the inherent limitations in the scope of our review, which is by definition substantially less than an audit, and that this matter had not been resolved, we continued to be unable to reach a conclusion as to whether the directors' judgement in this matter was appropriate and therefore whether the amount of this impairment provision was, or was not, in accordance with the applicable accounting framework. We therefore expressed a qualified conclusion in this regard in our review report dated 23 August 2018. The impairment provisions as at 30 June 2018 amounted to US$8.06 million (equivalent to approximately $63,211,000).

As disclosed in note 10 to the interim financial report, during the year ended 31 December 2018, the directors of the Company recovered an amount of loan principal of US$7.42 million (equivalent to approximately $57,888,000) from Moveday and reversed the remaining impairment provision of US$2.74 million (equivalent to approximately $21,485,000) as at 31 December 2018. In January 2019, the Group recovered the remaining loan principal of US$2.74 million (equivalent to approximately $21,485,000).

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

(Incorporated in the British Virgin Islands with limited liability)

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 and this matter does not have any impact on the consolidated financial position of the Group as at 30 June 2019 and its consolidated financial performance for the current period. However, in the absence of sufficient appropriate audit evidence and the inherent limitations in the scope of our review in connection with the impairment loss provision recognised as at 31 December 2017 and 30 June 2018 respectively, we are still unable to satisfy ourselves that the impairment provisions as at 31 December 2017 and 30 June 2018 were free from material misstatement.

Any change to the impairment provisions as at those dates would affect the profit for the six months ended 30 June 2018. Therefore, had we been able to complete our audit and review of the opening balance and corresponding amounts, matters might have come to our attention indicating that the corresponding amounts for the six months ended 30 June 2018 may not be comparable to the current period.

QUALIFIED CONCLUSION

Except for the adjustments to the corresponding figures in the interim financial report that we might have become aware of had it not been the situation described above, based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
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22 August 2019