



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

INTERIM REPORT

2020





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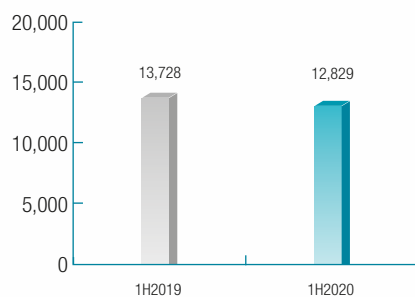




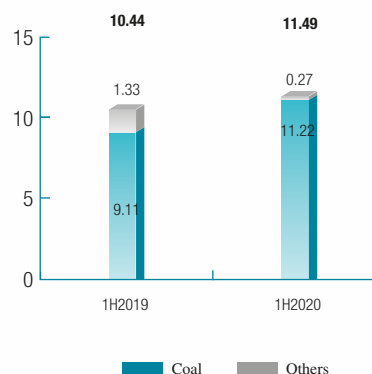
Management Discussion and Analysis

I. OVERVIEW

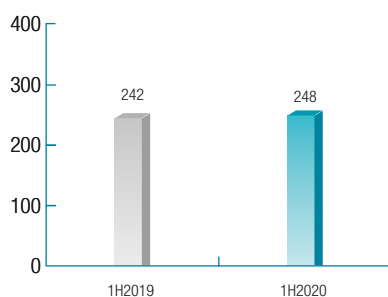
Revenue (in HK\$ million)



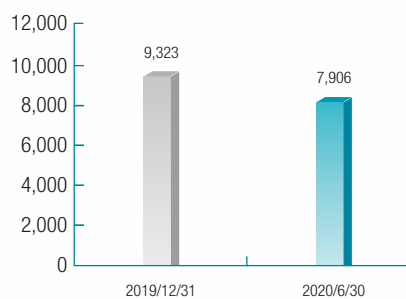
Trading Volume of Commodities (million tonnes)



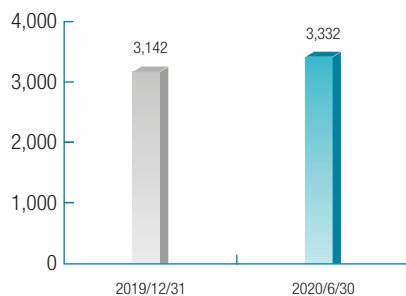
Net Profit (in HK\$ million)



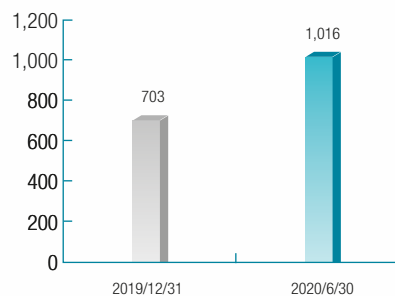
Total Assets (in HK\$ million)



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 2020, E-Commodities Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) recorded consolidated revenue of HK\$12,829 million, representing a slight decrease of 6.55% compared to HK\$13,728 million in the first half of 2019. Such decrease was primarily caused by the transfer of the Mongolian coal trading business to Xianghui Energy (Xiamen) Co., Ltd. (象暉能源(廈門)有限公司) (“**Xianghui Energy**”). In accordance with the terms of the cooperation agreement dated 25 July 2019 entered into between the Company and Xiamen Xiangyu Co., Ltd. (廈門象嶼股份有限公司) (“**Xiamen Xiangyu**”), the revenue of trading was accounted in Xianghui Energy and the profit was accounted as share of profit of an associate in the Group.

In the first half of 2020, our trading volume of commodities was 11.49 million tonnes, representing an increase of 10.06% compared to 10.44 million tonnes in the first half of 2019, in which, trading volume of coking coal sharply increased by 38.17% from 7.86 million tonnes in the first half of 2019 to 10.86 million tonnes in the first half of 2020. With respect to the trading of commodities, the gross profit generated from coking coal trading increased from HK\$557 million in the first half of 2019 to HK\$697 million in the first half of 2020.

In the first half of 2020, sales revenue generated from integrated supply chain services was HK\$341 million, representing an increase of 487.93% compared to approximately HK\$58 million in the first half of 2019. Such increase was contributed by the strategic separation of the Company's businesses sectors of commodities trading and supply chain services. Based on the stable development of commodities trading, the Company will focus on developing related business as an integrated supply chain service provider, and provide third parties with integrated supply chain services including, among others, warehousing, logistics, washing and processing for commodities.

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Disaggregated by major products of service lines		
– Coal	11,431,961	11,385,892
– Petrochemical products	877,924	1,369,498
– Rendering of integrated supply chain services	340,661	57,526
– Iron ore	64,580	676,492
– Nonferrous metals	93,286	201,381
– Coke	–	28,320
– Others	20,868	9,235
	12,829,280	13,728,344



Management Discussion and Analysis

In the first half of 2020, the Group also expanded its geographic coverage of business to the United Kingdom and other regions. Approximately HK\$1,630 million of sales were generated from outside of the PRC (including Hong Kong, Macau and Taiwan), showing the great effort of the Group in global market expansion and market diversification.

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
– PRC (including Hong Kong, Macau and Taiwan)	11,199,121	11,688,794
– Korea	737,603	638,567
– India	519,736	497,107
– Turkey	191,219	671,972
– Poland	92,290	154,405
– United Kingdom	80,180	–
– Mongolia	9,131	–
– Indonesia	–	77,080
– Others	–	419
	12,829,280	13,728,344

In the first half of 2020, the sales revenue from our top five customers accounted for 33.83% of our total sales, whereas the same ratio was 37.84% in the first half of 2019. These customers are mainly large-scale, state-owned steel groups throughout China, all being leading companies in the industry.

Trading of Commodities

In the first half of 2020, our trading of commodities business sector contributed the majority of our revenue, accounting for HK\$12,468 million, representing approximately 97.19% of the total revenue. This sector generates income by providing commodities trading services to our end customers, covering diversified commodities including, among others, coal products, petrochemical products, iron ore and nonferrous metals.

Integrated Supply Chain Services

In 2019, the Group integrated the supply chain logistics service sectors, and established Inner Mongolia E-35 Technology Co., Ltd. (內蒙古易至科技股份有限公司) (“E-35”), pursuant to which, the Company targeted to utilize E-35’s complete logistics nodes in the northern borders and southern ports to provide integrated services for third parties based on the development of multimodal transport, storage, processing and other services for coal, ore and other bulk commodities. E-35, taking containers as the carrier, has set up an intelligent and coordinated smart supply chain platform, taking the building of the updated intelligent supply chain service model for bulk commodities as its corporate vision. By virtue of the Group’s over 20 years of experience in commodity supply chain operation and management, and starting from the needs of customers, E-35 provides efficient, visible and controllable “door-to-door” supply chain services to the cargo owners, transportation companies, drivers, logistics parks, regulatory agencies, financial institutions and other participants in the bulk-commodity markets.



Management Discussion and Analysis

Currently, the integrated supply chain services sector mainly provides warehousing, logistics and coal processing services for Xianghui Energy and third parties. HK\$341 million revenue was generated from this sector in the first half of 2020, a significant increase of 487.93% compared to HK\$58 million in first half of 2019.

The Group will further explore the integrated supply chain services for commodities, beside of the steady development of commodities trading.

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 2020 was HK\$11,750 million, representing a 10.25% decrease compared to HK\$13,092 million in the first half of 2019. The decrease was primarily due to the transfer of the Mongolian coal business from the Company to Xianghui Energy, through which the procurement volume and amounts have been transferred and recorded in Xianghui Energy. The procurement volume and amounts of each commodity are as follows:

	Six months ended 30 June			
	2020		2019	
	Procurement volume '000 tonnes	Procurement amounts HK\$'000	Procurement volume '000 tonnes	Procurement amounts HK\$'000
Coal	10,609	10,333,139	9,038	10,515,378
Petrochemical products	191	890,727	254	1,429,858
Nonferrous metals	6	92,202	9	199,883
Iron ore	85	74,387	1,078	654,985
Coke	—	—	15	30,312
	10,891	11,390,455	10,394	12,830,416

In the first half of 2020, the total procurement amount was HK\$11,390 million, of which, the procurement amount from top five suppliers accounted for 63.26% and such suppliers are mainly the leading coking coal suppliers in the world. No director of the Company (“**Director**”) or their close associates (as defined under the Rules Governing the Listing of Securities (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**the Stock Exchange**”), or shareholder of the Company owning more than 5% of the issued shares in the Company (“**Shares**”), has any interest in any of our suppliers.

3. Gross Profit

The Group recorded a gross profit of HK\$764 million in the first half of 2020, compared to a gross profit of HK\$636 million in the first half of 2019. The increase in gross profit was mainly due to the increased gross profit from coking coal from HK\$557 million in the first half of 2019 to HK\$697 million in the first half of 2020. The increase was mainly contributed by the increased sales volume of coking coal from 7.86 million tonnes in the first half of 2019 to 10.86 million tonnes in the first half of 2020, as well as the widened price difference between domestic and overseas coal as a result of COVID-19.



Management Discussion and Analysis

4. Distribution Costs

Distribution costs incurred in the first half of 2020 were HK\$43 million, representing a 61.26% decrease compared to HK\$111 million in the first half of 2019. The decrease in distribution costs was mainly due to the transfer of our Mongolian coal trading business to Xianghui Energy, which led to a corresponding decrease in the distribution costs of Mongolian coal trading business.

5. Administrative Expenses

Administrative expenses incurred in the first half of 2020 were HK\$295 million, representing an increase of 61.20% over HK\$183 million incurred in the first half of 2019. This was mainly due to the increase in the accrued bonus in the first half of 2020 for the business sector teams including coking coal and other teams, which was approximately HK\$101 million. The following factors were considered in determining the bonus: business pre-tax profit contribution (calculated by gross profit earned by each business sector team after deducting distributable finance costs and other distributable expenses) made by each business sector team, individual performance, and overall profit of the Company. A certain proportion ranging from 5%-20% of business pre-tax profit made by each business sector team is accrued to the corresponding business sector team in the form of bonus. The proportion was determined by reference to the incentive schemes of similar companies in the market, the extent to which the Company's assets and resources are applied, the fierceness of competition in the market, the difficulty of business execution, and other factors, with the aim of aligning the goals of the business teams and the Company in profit making, so as to maintain team stability and morale and inducing the recruitment of high-calibre team into the Company. The schemes will incentivize business teams to fight for higher market percentage and better profit for the Company and its shareholders, so as to form sustainable competitive advantages of the Company in the relevant industry.



Management Discussion and Analysis

6. Net Finance Costs

Net finance costs incurred in the first half of 2020 were HK\$112 million, which is substantially the same level compared to net finance costs of HK\$113 million in the first half of 2019. The increase in the finance income was mainly due to the changes in the fair value on conversion option embedded in convertible bonds and warrants. The increase in finance costs was mainly due to one-off interest expenses incurred in relation to the full redemption of the convertible bonds.

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Interest income	(11,546)	(7,871)
Changes in fair value on conversion option embedded in convertible bonds and warrants	(23,391)	—
Finance income	(34,937)	(7,871)
Interest on lease liabilities	5,973	2,269
Interest on secured bank loans	17,297	30,033
Interest on other interest-bearing borrowings	13,970	—
Interest on discounted bills receivable	12,327	39,601
Interest on convertible bonds	63,526	23,456
Total interest expense	113,093	95,359
Bank and other charges	18,506	14,442
Foreign exchange loss, net	15,634	7,219
Changes in fair value on conversion option embedded in convertible bonds and warrants	—	3,838
Finance costs	147,233	120,858
Net finance costs	112,296	112,987

7. Net Profit and Earnings Per Share

Our net profit for the first half of 2020 was HK\$248 million, compared to net profit of HK\$242 million for the first half of 2019.

Both basic earnings per share and diluted earnings per share for the six months ended 30 June 2020 were HK\$0.084.



Management Discussion and Analysis

8. Interest in Xianghui Energy

On 25 July 2019, the Company and Xiamen Xiangyu entered into a cooperation agreement (“**Cooperation Agreement**”) in relation to, among others, the formation of Xianghui Energy. Under the Cooperation Agreement, the registered capital of Xianghui Energy is RMB2 billion, of which RMB980 million is contributed by the Company through its designated subsidiary, representing 49% of the total registered capital of the Xianghui Energy. Xianghui Energy commenced operation in October 2019, and is mainly engaged in trading of Mongolian coal in the PRC.

Xianghui Energy sold approximately 1.42 million tonnes of coal and recorded a revenue of HK\$1,470 million and net profit of HK\$61 million in the first half of 2020.

Summarised financial information of Xianghui Energy reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Gross amounts of the associate		
Current assets	2,631,629	2,915,882
Non-current assets	3,454	2,584
Current liabilities	382,734	662,629
Non-current liabilities	197	1,239
Equity	2,252,152	2,254,598

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Gross amounts of net assets of the associate	2,252,152	2,254,598
Group's effective interest	49%	49%
Group's share of net assets of the associate	1,103,555	1,104,753
Carrying amount in the consolidated financial statements	1,103,555	1,104,753

	Six months ended 30 June 2020 HK\$'000	2019 HK\$'000
Revenue	1,470,274	—
Profit for the period	60,935	—
Group's effective interest	49%	—
Group's share of profit of the associate	29,858	—



Management Discussion and Analysis

9. Inventories

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Coal	642,176	1,366,021
Others	27,015	21,393
	669,191	1,387,414

Inventories as at 30 June 2020 were HK\$669 million, representing a 51.77% decrease compared to HK\$1,387 million as at 31 December 2019. The decrease in inventories was mainly due to the decrease in inventories of the Mongolian coal and seaborne coal.

- (a) The decrease in inventories of the Mongolian coal mainly due to the transfer of the Mongolian coal business from trading business to integrated supply chain services.
- (b) The decrease in inventories of seaborne coal was mainly due to the impact of import policy on customs clearance efficiency.

10. Trade and other receivables

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Trade Receivables	230,129	146,625
Bills Receivable	952,985	2,191,239
Less: allowance for doubtful debts	(43,550)	(5,277)
Trade debtors and bills receivable, net of loss allowance	1,139,564	2,332,587
Prepayments to suppliers	602,825	706,384
Others	450,452	419,970
	2,192,841	3,458,941

Trade and other receivables were HK\$2,193 million as at 30 June 2020, representing a 36.60% decrease compared to HK\$3,459 million as at 31 December 2019. This was mainly because of the transfer of the Mongolian coal business to Xianghui Energy, which led to a corresponding decrease in bills receivable.

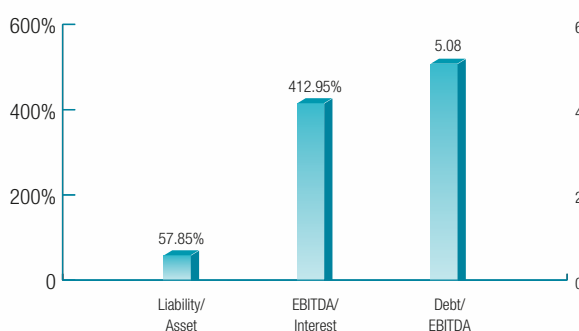


Management Discussion and Analysis

11. Indebtedness and Liquidity

The total amount of bank loans owed by the Group at the end of June 2020 was HK\$1,269 million. Interest rates on these loans range from 1.1845% to 10.45% per annum, whereas the range for the same period in 2019 was from 2.73% to 10.45%. The Group's gearing ratio at the end of June 2020 was 57.85%, which represents a decrease compared to 66.30% at the end of December 2019. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.

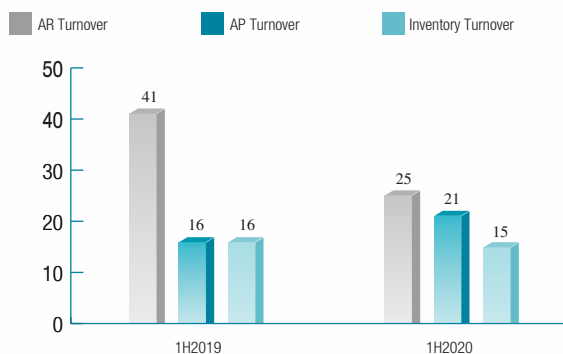
Indebtedness and Liquidity



12. Working Capital

In the first half of 2020, our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 25 days, 21 days, and 15 days, respectively. As a result, the overall cash conversion cycle was approximately 19 days, which was 22 days shorter than the Group's cash conversion cycle realised in the first half of 2019.

Working Capital



Management Discussion and Analysis

13. Contingent Liabilities

The Company's existing subsidiaries, namely Glorious Gold Holdings Limited, Million Super Star Limited, E-Commodities Japan Co., Ltd.* (株式会社イー・コモディティーズジャパン), E-Commodities Holdings Private Limited, E-Commodities (HK) Holdings Limited, Cheer Top Enterprises Limited, Legend York Star Limited, Color Future International Limited, Standard Rich Inc Limited, King Resources Holdings Limited, Eternal International Logistics Limited, Royce Petrochemicals Limited and E-Commodities International Development(HK) Limited, have provided guarantees for the convertible bonds (the "**Convertible Bonds**") and the 118,060,606 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.

On 14 September 2019, the Company repaid principal of US\$10,000,000 of the Convertible Bonds leaving outstanding principal of US\$30,000,000 as at the end of 2019.

On 14 August 2020, the Company redeemed the outstanding Bonds in full. Following the redemption, there is no principal amount outstanding under the Convertible Bonds and no Convertible Bonds have been or will be converted into Shares. The Convertible Bonds were fully cancelled and the Company was discharged from all the obligations under and in respect of the Convertible Bonds. The guarantees provided by the subsidiaries of the Company in relation to the Convertible Bond and Warrants were released and discharged following the completion of the redemption.

14. Pledge of Assets

At 30 June 2020, bank loans amounting to HK\$462,867,000 (31 December 2019: HK\$399,243,000) had been secured by bills receivable with an aggregate carrying value of HK\$224,612,000 (31 December 2019: HK\$178,578,000) and restricted bank deposits with an aggregate carrying value of HK\$258,020,000 (31 December 2019: HK\$228,235,000).

At 30 June 2020, bank loans amounting to HK\$406,565,000 (31 December 2019: HK\$1,869,073,000) had been secured by bills receivable with recourse an aggregate carrying value of HK\$406,565,000 (31 December 2019: HK\$1,869,073,000).

At 30 June 2020, bank loans amounting to HK\$100,500,000 (31 December 2019: HK\$254,516,000) had been secured by credit guarantee with a guarantee amount of HK\$100,722,000 (31 December 2019: HK\$254,516,000) provided by subsidiaries of the Group.

At 30 June 2020, bank loans amounting to HK\$121,421,000 (31 December 2019: HK\$87,363,000) had been secured by inventories with an aggregate carrying value of HK\$122,700,000 (31 December 2019: HK\$88,012,000).

At 30 June 2020, bills payable amounting to HK\$45,684,000 (31 December 2019: HK\$37,072,000) had been secured by trade receivables with an aggregate carrying value of HK\$50,266,000 (31 December 2019: HK\$37,362,000).

At 30 June 2020, bills payable amounting to HK\$888,611,000 (31 December 2019: HK\$644,165,000) had been secured by restricted bank deposits with an aggregate carrying value of HK\$738,667,000 (31 December 2019: HK\$520,010,000) and bills receivable with an aggregate carrying value of HK\$151,785,000 (31 December 2019: HK\$107,288,000).

At 30 June 2020, bank loans amounting to HK\$177,453,000 (31 December 2019: HK\$277,336,000) together with bills payable amounting to HK\$213,996,000 (31 December 2019: HK\$151,918,000) had been secured by restricted bank deposits with an aggregate carrying value of HK\$102,573,000 (31 December 2019: HK\$48,001,000), property, plant and equipment with an aggregate carrying value of HK\$19,883,000 (31 December 2019: HK\$90,150,000), and land use rights with an aggregate carrying value of HK\$50,291,000 (31 December 2019: HK\$55,538,000).



Management Discussion and Analysis

15. Cash Flow

In the first half of 2020, the Group had an operating cash inflow of HK\$2,305 million compared to HK\$997 million cash inflow during the same period last year. The net cash inflow from operating activities was mainly contributed from cash profit of HK\$309 million and net cash inflow of working capital changes of HK\$1,877 million.

In the first half of 2020, the Group had a cash outflow from investing activities of HK\$322 million compared to HK\$773 million cash outflow during the same period last year. The cash outflow from investing activities in the first half of 2020 was generated mainly due to an increase in restricted bank deposits for bank credit pledges of approximately HK\$279 million and logistics asset investment cash outflow of HK\$70 million.

In the first half of 2020, the Group had a cash outflow from financing activities of HK\$1,642 million compared to HK\$171 million cash outflow during the same period last year. The cash outflow from financing activities was mainly attributable to a reduction of discounted bills receivable and pledges of the bills receivable of approximately HK\$1,457 million.

In the trading of commodities 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 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 2020*	Adjustments	Adjusted six months ended 30 June 2020**
	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents at 1 January	702,915		702,915
Net cash generated from/(used in) operating activities	2,304,905	(1,640,746)	664,159
Net cash generated from/(used in) investing activities	(322,232)	184,145 ¹	(138,087)
Net cash generated from/(used in) financing activities	(1,642,451)	1,456,601 ²	(185,850)
Effect of foreign exchange rate changes	(27,210)		(27,210)
Cash and cash equivalents at 30 June	1,015,927		1,015,927

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 2020, 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 managed the business departments to reduce the level of inventory, prepaid accounts and receivables, and required 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. 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 where purchases are made in U.S. dollars and sales made in RMB, the Group paid close attention to the RMB exchange rate. In the trend of RMB devaluation, the Company used foreign exchange derivatives to avoid exchange rate fluctuation risks and safeguard 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 including 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 on the Steel Industry

The revenue of the Group was mainly generated from commodities trading services of coking coal products, which is heavily dependent on the demand for coking coal from steel mills and coke plants in China and international market. 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 both 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 from the development of its trading businesses.

4. Currency Risk

Over 24.68% of the Group's turnover in the first half of 2020 were denominated in Renminbi. Over 93.43% of the Group's procurement costs, and some of our operating expenses, were denominated in US dollars. The exchange rates between Renminbi and US dollars and other currencies vary from time to time due to the influence of political and economic changes in China and the world, as well as the Chinese governance fiscal and currency policy. 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 mostly locked the currency risk of related commodities trading businesses by adopting corresponding exchange rate management policies and derivatives hedging approaches. 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.

6. Impact of COVID-19 Pandemic

Since early 2020, the COVID-19 pandemic has brought uncertainties to the Group's operating environment and effected the Group's operations and financial position. The Group has been closely monitoring the impact of the COVID-19 pandemic on the Group's businesses and has put in place certain contingency measures. The contingency measures mainly comprise reassessment on the quality of trade receivables and enhancing the collection, reassessing the Group's working capital based on the banking facilities and others. The Group will review the contingency measures on a continuous basis as the situation evolves.

As far as the Group's businesses are concerned, on one hand, the COVID-19 pandemic has caused a decrease in Mongolian coal import volume, and accordingly, has impacted the relevant integrated supply chain services due to the interruption or shutdown of border-crossings businesses between Mongolia and China in the first half of 2020. Currently, the gradual easing of the COVID-19 pandemic situation in Mainland China and stabilization of the global business environment have led to the recovery. On the other hand, due to the COVID-19 pandemic, the gross profit of coking coal, magnified by the difference in China domestic demand and overseas supply, contributed more gross profit to the Company and to some extent, mitigated the negative impact of the pandemic on the Company. As the development and spread of the COVID-19 subsequent to the date of this report is uncertain, further changes in economic conditions for the Group arising from the pandemic may further impact on the financial results of the Group. However, the extent of any such impact could not be estimated as at the date of this report. The Group will continue to pay attention on the development of COVID-19 pandemic and react actively to its impact on the financial position and operating results of the Group.



Management Discussion and Analysis

V. HUMAN RESOURCES

Employee Overview

The Group aims to set up a performance-oriented compensation and benefits system while balancing the internal and external market in different job positions. As at 30 June 2020, the Company has subsidiaries and branch offices in China (including Hong Kong and Macau), Singapore, Mongolia and other countries and regions. The Group has entered into formal employment contracts with all employees and paid all mandatory social insurance in full in the relevant countries and regions in strict compliance with the applicable laws and regulations.

As at 30 June 2020, the Group had 281 full-time employees (excluding 1,020 labor dispatch workers in the PRC subsidiaries). Detailed figures by category of employees are as follows:

Functions	No. of Employees	Percentage
Management and finance	92	33%
Front-line production, production support and maintenance	46	16%
Sales and marketing	98	35%
Others (including projects, coal washing and transportations)	45	16%
Total	281	100%

Employee Education Overview

Qualifications	No. of Employees	Percentage
Master and above	47	17%
Bachelor	155	55%
Diploma	46	16%
Middle-school (secondary school) and below	33	12%
Total	281	100%

Training Overview

Training is essential for the Group to improving the employees' working capabilities and management skills. For the six months ended 30 June 2020, the Group held various internal and external training programs in an aggregate of 513 training hours for 1,234 participants in total.

Training Courses	No. of hours	No. of participants
Safety	263	788
Management and leadership	104	266
Professional skills	146	180
Total	513	1,234



Management Discussion and Analysis

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 2020.

In accordance with the Conclusions to its Consultation on the Review of the ESG Reporting Guide and Related Listing Rules published by the Stock Exchange on 18 December 2019, the Company has engaged an independent professional third party to work in consultation for its 2019 report on environmental, social and governance matters (“**ESG**”). Such third-party consultant has completed its consultation and training accordingly, to the Directors and ESG relevant staff, on ESG policy changes, compliance requirements, suggested work procedures, and others.

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

As at 30 June 2020, the Company had a total of 3,041,198,356 Shares in issue. The Company repurchased a total of 1,104,000 Shares on the Stock Exchange during the six months ended 30 June 2020 pursuant to the repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 28 June 2019. Such repurchased Shares have been cancelled in September 2020 and the total number of Shares in issue has been reduced accordingly.

VIII. INTERIM DIVIDEND

The board of Directors (“**Board**”) does not recommend the payment of an interim dividend for the six months ended 30 June 2020.



Other Information

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

As at 30 June 2020, 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 Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Name of Directors	Name of Corporation	Nature of Interest	Aggregate number of Shares or underlying Shares	Approximate percentage of interest in the corporation ⁽¹⁾
Cao Xinyi	The Company	Beneficial owner	12,052,041	0.40%
Wang Yaxu	The Company	Beneficial owner	10,736,190	0.35%
Li Jianlou	The Company	Beneficial owner	5,110,030 ⁽²⁾	0.17%
Di Jingmin	The Company	Beneficial owner	3,013,030	0.10%

Note:

(1) The percentage shareholding of the Company is calculated on the basis of 3,041,198,356 Shares in issue as at 30 June 2020.

(2) Mr. Li Jianlou is deemed to be interested in 2,017,000 Shares held by his spouse.

Save as disclosed above, as at 30 June 2020, 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, the Company may grant RSU Awards to Directors (including executive Directors, non-executive Directors and independent non-executive Directors), officers, full-time employees, advisors and agents who provide value-added services to the Company or its subsidiaries. An RSU Award gives a participant in the RSU Scheme a conditional right when the RSU Award vests to obtain either Shares (existing Shares in issue or new Shares to be issued by the Company) or an equivalent value in cash with reference to the value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion. The Board may determine the vesting criteria, conditions and the time when the RSU Awards will vest.

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

During the half year ended 30 June 2020, 46,542,693 RSU Awards were granted by the Company under the RSU Scheme and no Director was granted any RSU Awards. As at 30 June 2020, no outstanding and unvested RSU Awards were held by Directors. The details of RSU Awards granted during the period of six months ended 30 June 2020 are set out below:

	RSU Awards held as at 1 January 2020	RSU Awards granted as at 19 January 2020	RSU Awards vested as at 30 June 2020	RSU Awards lapsed/ cancelled during the 6 months ended 30 June 2020
Others				
Grantees other than Directors	0	46,542,693	0	0
Total	0	46,542,693	0	0



Other Information

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2020, 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)	49.33%
Famous Speech Limited	The Company	Beneficial Owner	1,500,080,608 (L)	49.33%
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)	51.18%
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)	51.18%



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 ⁽⁸⁾
China Minmetals Corporation ⁽⁶⁾	The Company	Interest of corporation controlled by the substantial shareholder	1,503,195,952 (L)	49.43%
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)	49.33%
Lord Central Opportunity VII Limited	The Company	Beneficial Owner	504,484,447 (L/S) ⁽⁷⁾	16.59%
Pacific Alliance Asia Opportunity Fund L.P.	The Company	Interest of corporation controlled by the substantial shareholder	504,484,447 (L/S) ⁽⁷⁾	16.59%
Pacific Alliance Group Asset Management Limited	The Company	Interest of corporation controlled by the substantial shareholder	504,484,447 (L/S) ⁽⁷⁾	16.59%
Pacific Alliance Investment Management Limited	The Company	Interest of corporation controlled by the substantial shareholder	504,484,447 (L/S) ⁽⁷⁾	16.59%
Pacific Alliance Group Limited	The Company	Interest of corporation controlled by the substantial shareholder	504,484,447 (L/S) ⁽⁷⁾	16.59%
PAG Holdings Limited	The Company	Interest of corporation controlled by the substantial shareholder	504,484,447 (L/S) ⁽⁷⁾	16.59%

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.



Other Information

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\$0.604 per conversion share, and the rights attaching to the Warrants are exercised in full at the adjusted subscription price of HK\$0.761 per warrant share, 504,484,447 Shares will fall to be issued to Lord Central Opportunity VII Limited. Lord Central Opportunity VII Limited is owned by Pacific Alliance Asia Opportunity Fund L.P. as to 90%. Pacific Alliance Group Asset Management Limited is the general partner of Pacific Asia Opportunity Fund L.P.. The entire issued share capital of Pacific Alliance Group Asset Management Limited is owned by Pacific Alliance Investment Management Limited. Pacific Alliance Investment Management Limited is owned by Pacific Alliance Group Limited as to 90%, which in turn is owned by PAG Holdings Limited as to 99.17%. On 14 August 2020, all the remaining outstanding principal amount of the Convertible Bonds was redeemed by the Company in full, and no Convertible Bonds have been or will be converted into shares.
8. The percentage shareholding of the Company is calculated on the basis of 3,041,198,356 Shares in issue as at 30 June 2020, 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 2020, 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.

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 2020, 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 2020, and are of the opinion that such unaudited financial 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.



Other Information

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 2020, 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, and the remuneration mechanism and indicators set for the Company in the financial year of 2020. No Director took part in any discussion about his own remuneration. The meeting was attended by all three members of the remuneration committee.

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

Throughout the six months ended 30 June 2020, the Company complied with the Code Provisions, except for the deviation from the Code Provision A.2.1 which requires that the roles of chairman and chief executive officer be separate and not performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below. On 18 July 2019, Mr. Wang Wengang ceased to act as an executive Director and the chief executive officer of the Company (the "**CEO**"). Ms. Cao Xinyi, the chairman of the Board (the "**Chairman**"), was appointed as the CEO on the same date. The Board believes that, considering Ms. Cao Xinyi's length of employment and experience in the business and operations of the Group and her professional financial knowledge, vesting the roles of both the Chairman and the CEO in Ms. Cao Xinyi can provide the Group with consistent leadership, facilitate the execution of the Group's business strategies and boost effectiveness of its operations. The balance of power and authority is ensured by the operation of senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently consists of 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors, and therefore has a strong element of independence in its composition.

Except for the deviation mentioned above from the CG Code, the Company fully complied with all the Code Provisions throughout the six months ended 30 June 2020.

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 2020.

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 2020 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.



Other Information

BOARD

The composition of the Board is set out below:

Executive Directors:

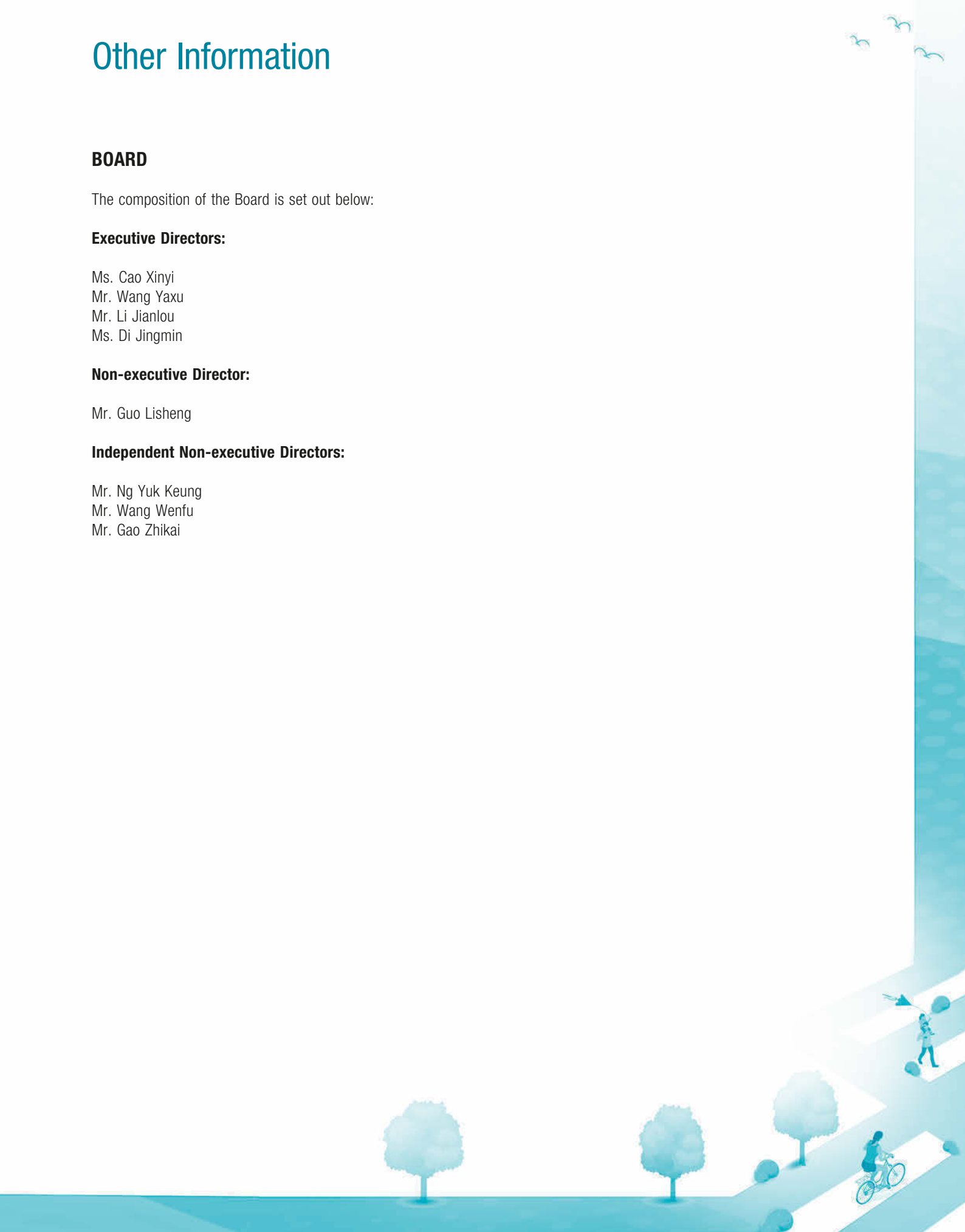
Ms. Cao Xinyi
Mr. Wang Yaxu
Mr. Li Jianlou
Ms. Di Jingmin

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 2020 – unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2020 \$'000	2019 \$'000
Revenue	4	12,829,280	13,728,344
Cost of sales		(12,065,715)	(13,092,044)
Gross profit		763,565	636,300
Other revenue		7,035	13,271
Distribution costs		(43,116)	(110,548)
Administrative expenses		(295,481)	(182,569)
Other operating expenses, net		(22,877)	(18,787)
(Impairment)/Reversal of impairment of non-current assets	5(c)	(11,241)	15,800
Profit from operating activities		397,885	353,467
Finance income	5(a)	34,937	7,871
Finance costs	5(a)	(147,233)	(120,858)
Net finance costs		(112,296)	(112,987)
Share of profits/(losses) of associates	10	29,312	(10)
Share of losses of joint ventures		(5,526)	–
Profit before taxation		309,375	240,470
Income tax	6	(61,612)	1,037
Profit for the period		247,763	241,507
Attributable to:			
Equity shareholders of the Company		255,043	237,747
Non-controlling interests		(7,280)	3,760
Profit for the period		247,763	241,507
Earnings per share	7		
Basic (HK\$)		0.084	0.078
Diluted (HK\$)		0.084	0.076

The notes on pages 32 to 53 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 2020 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2020 \$'000	2019 \$'000
Profit for the period	247,763	241,507
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)	(1,572)	(551)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	(48,215)	(18,225)
Total comprehensive income for the period	197,976	222,731
Attributable to:		
Equity shareholders of the Company	202,866	219,145
Non-controlling interests	(4,890)	3,586
Total comprehensive income for the period	197,976	222,731

The notes on pages 32 to 53 form part of this interim financial report.



Consolidated statement of financial position

at 30 June 2020 – unaudited (Expressed in Hong Kong dollars)

	Note	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Non-current assets			
Property, plant and equipment, net	8	643,450	657,682
Right-of-use assets	9	720,027	738,014
Construction in progress		93,005	81,624
Intangible assets		90,325	103,494
Interests in associates	10	1,115,626	1,116,007
Interests in joint ventures		32,273	16,656
Other investments in equity securities		98,278	103,355
Deferred tax assets		14,433	14,531
Total non-current assets		2,807,417	2,831,363
Current assets			
Inventories	11	669,191	1,387,414
Trade and other receivables	12	2,192,841	3,458,941
Restricted bank deposits	13	1,221,046	941,928
Cash and cash equivalents	14	1,015,927	702,915
Total current assets		5,099,005	6,491,198
Current liabilities			
Secured bank loans	16	1,268,806	2,887,531
Trade and other payables	15	1,990,397	2,058,552
Other interest-bearing borrowings	20(c)	656,832	605,788
Lease liabilities		77,582	78,160
Income tax payable		91,941	72,088
Convertible bonds payables	17	270,194	237,502
Total current liabilities		4,355,752	5,939,621
Net current assets		743,253	551,577
total assets less current liabilities		3,550,670	3,382,940

The notes on pages 32 to 53 form part of this interim financial report.



Consolidated statement of financial position

at 30 June 2020 – unaudited (Expressed in Hong Kong dollars)

	Note	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Non-current liabilities			
Lease liabilities		97,535	116,276
Deferred income		120,864	124,930
Total non-current liabilities		218,399	241,206
NET ASSETS		3,332,271	3,141,734
CAPITAL AND RESERVES			
Share capital	18(b)	5,787,484	5,789,362
Reserves		(2,328,491)	(2,527,970)
Total equity attributable to equity shareholders of the Company		3,458,993	3,261,392
Non-controlling interests		(126,722)	(119,658)
TOTAL EQUITY		3,332,271	3,141,734

Approved and authorised for issue by the board of directors on 27 August 2020.

Cao Xinyi)	
)	
)	Directors
Wang Yaxu)	
)	

The notes on pages 32 to 53 form part of this interim financial report.



Consolidated statement of changes in equity

for the six months ended 30 June 2020 – 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
Changes in equity for the six months ended 30 June 2019:											
Cancellation of repurchased shares	(7,940)	–	–	–	–	–	–	–	(7,940)	–	(7,940)
Contribution to employee share trusts	–	–	(16,926)	–	–	–	–	–	(16,926)	–	(16,926)
Grant of restricted share units to employees	–	–	24,468	(3,802)	–	–	–	–	20,666	–	20,666
Total comprehensive income	–	–	–	–	(18,051)	–	(551)	237,747	219,145	3,586	222,731
Dividends declared	–	–	–	–	–	–	–	(218,497)	(218,497)	–	(218,497)
Contribution from non- controlling interests	–	–	–	–	–	–	–	–	–	2,842	2,842
Balance at 30 June 2019 and 1 July 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
Changes in equity for the six months ended 31 December 2019:											
Purchase of own shares	–	–	–	–	–	(1,878)	–	–	(1,878)	–	(1,878)
Contribution to employee share trusts	–	–	(7,948)	–	–	–	–	–	(7,948)	–	(7,948)
Appropriation to statutory reserve	–	22,961	–	–	–	–	–	(22,961)	–	–	–
Total comprehensive income	–	–	–	–	(43,485)	–	(2,295)	74,657	28,877	(1,829)	27,048
Dividends declared	–	–	1,573	–	–	–	–	(1,061)	512	–	512
Balance at 31 December 2019	5,789,362	252,823	(16,555)	(28,270)	(92,298)	(1,878)	(28,663)	(2,613,129)	3,261,392	(119,658)	3,141,734

The notes on pages 32 to 53 form part of this interim financial report.



Consolidated statement of changes in equity

for the six months ended 30 June 2020 – 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 2020	5,789,362	252,823	(16,555)	(28,270)	(92,298)	(1,878)	(28,663)	(2,613,129)	3,261,392	(119,658)	3,141,734
Changes in equity for the six months ended 30 June 2020:											
Purchase of own shares (note 18(b)(i))	(1,878)	-	-	-	-	1,677	-	-	(201)	-	(201)
Contribution to employee share trusts (note 18(b)(iii))	-	-	(5,064)	-	-	-	-	-	(5,064)	-	(5,064)
Total comprehensive income	-	-	-	-	(50,605)	-	(1,572)	255,043	202,866	(4,890)	197,976
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,174)	(2,174)
Balance at 30 June 2020	5,787,484	252,823	(21,619)	(28,270)	(142,903)	(201)	(30,235)	(2,358,086)	3,458,993	(126,722)	3,332,271

The notes on pages 32 to 53 form part of this interim financial report.



Condensed consolidated cash flow statement

for the six months ended 30 June 2020 – unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2020 \$'000	2019 \$'000
Operating activities			
Profit before taxation		309,375	240,470
Interest expense	5(a)	113,093	95,359
Depreciation of property, plant and equipment and right-of-use assets	5(c)	65,504	44,922
Losses on disposal of property, plant and equipment and construction in progress, net		27,328	1,565
Impairment/(Reversal of impairment) losses on non-current assets	5(c)	11,241	(15,800)
Amortisation of intangible assets	5(c)	3,625	3,641
Net realised and unrealised (gain)/losses in fair value on derivative financial instruments		(29,588)	20,102
Share of (profits)/losses of associates		(29,312)	10
Share of losses of joint ventures		5,526	–
Foreign exchange loss, net		15,634	7,219
Other adjustments		(13,401)	(20,422)
Income tax paid		(51,273)	(25,041)
Net change in inventories, trade and other receivables and trade and other payables		1,877,153	644,893
Net cash generated from operating activities		2,304,905	996,918
Investing activities			
Payment for purchase of property, plant and equipment, construction in progress, right-of-use assets and intangible assets		(70,030)	(92,302)
Repayment of loan from a third party		–	21,485
Increase in restricted bank deposits		(279,118)	(682,651)
Dividends received from an associate		9,599	–
Other cash flows arising from investing activities		17,317	(19,859)
Net cash used in investing activities		(322,232)	(773,327)

The notes on pages 32 to 53 form part of this interim financial report.



Condensed consolidated cash flow statement

for the six months ended 30 June 2020 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2020 \$'000	2019 \$'000
Financing activities			
Capital element of lease rentals paid		(58,909)	(15,470)
Interest element of lease rentals paid		(6,096)	(2,460)
Proceeds from bank loans		8,488,456	7,411,145
Repayment of bank loans		(10,066,099)	(7,463,147)
Proceeds from interest-bearing borrowings from an associate		62,711	–
Interests paid		(54,368)	(78,119)
Contribution to employee share trusts		(5,064)	(16,926)
Other cash flows arising from financing activities		(3,082)	(6,292)
Net cash used in financing activities		(1,642,451)	(171,269)
Net increase in cash and cash equivalents		340,222	52,322
Cash and cash equivalents at 1 January	14	702,915	699,361
Effect of foreign exchange rate changes		(27,210)	(6,719)
Cash and cash equivalents at 30 June	14	1,015,927	744,964

The notes on pages 32 to 53 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”). It was authorised for issue on 27 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the IASB.

The 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 54.

The financial information relating to the financial year ended 31 December 2019 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 the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of material*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

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	
	2020 \$'000	2019 \$'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Coal	11,431,961	11,385,892
– Petrochemical products	877,924	1,369,498
– Rendering of integrated supply chain services	340,661	57,526
– Iron ore	64,580	676,492
– Nonferrous metals	93,286	201,381
– Coke	–	28,320
– Others	20,868	9,235
	12,829,280	13,728,344



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Disaggregation of revenue (Continued)

	Six months ended 30 June	
	2020 \$'000	2019 \$'000
Disaggregated by geographical location of customers		
– The PRC (including Hong Kong, Macau and Taiwan)	11,199,121	11,688,794
– Korea	737,603	638,567
– India	519,736	497,107
– Turkey	191,219	671,972
– Poland	92,290	154,405
– United Kingdom	80,180	–
– Mongolia	9,131	–
– Indonesia	–	77,080
– Others	–	419
	12,829,280	13,728,344

For the six months ended 30 June 2020, among the Group's revenue from the trading of coal and other products, products totalling \$402,905,000 (six months ended 30 June 2019: \$969,787,000) were traded under framework contracts signed with certain third party companies pursuant to which those third party companies acted as agents of the Group to sign sale and purchase contracts with customers and suppliers whilst the Group were 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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
For the six months ended 30 June						
Disaggregated by timing of revenue recognition						
Point in time	12,488,619	13,670,818	–	–	12,488,619	13,670,818
Over time	–	–	340,661	57,526	340,661	57,526
Revenue from external customers	12,488,619	13,670,818	340,661	57,526	12,829,280	13,728,344
Inter-segment revenue	–	–	74,404	15,123	74,404	15,123
Reportable segment revenue	12,488,619	13,670,818	415,065	72,649	12,903,684	13,743,467
Reportable segment profit (adjusted EBITDA)	515,166	375,465	25,169	10,909	540,335	386,374
Interest income	11,463	7,521	83	350	11,546	7,871
Interest expense	(107,077)	(95,359)	(6,016)	–	(113,093)	(95,359)
Depreciation and amortisation	(41,216)	(47,062)	(27,913)	(1,501)	(69,129)	(48,563)
(Impairment)/Reversal of impairment of non-current assets	(11,241)	15,800	–	–	(11,241)	15,800
Provision for impairment losses on trade and other receivables	(35,036)	(139)	(3,258)	(15)	(38,294)	(154)
Additions to non-current segment assets during the period	56,391	107,472	36,147	2,353	92,538	109,825
As at 30 June/31 December						
Reportable segment assets	7,147,271	8,563,296	1,259,043	1,259,136	8,406,314	9,822,432
Reportable segment liabilities	4,140,419	5,852,727	856,116	770,414	4,996,535	6,623,141

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.



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2020 \$'000	2019 \$'000
Reportable segment profit	540,335	386,374
Depreciation and amortisation	(69,129)	(48,563)
Net finance costs	(112,296)	(112,987)
(Impairment)/Reversal of impairment of non-current assets	(11,241)	15,800
Provision for impairment losses on trade and other receivables	(38,294)	(154)
Consolidated profit before taxation	309,375	240,470

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2020 \$'000	2019 \$'000
Interest income	(11,546)	(7,871)
Changes in fair value on conversion option embedded in convertible bonds and warrants (note 17)	(23,391)	—
Finance income	(34,937)	(7,871)
Interest on lease liabilities	5,973	2,269
Interest on secured bank loans	17,297	30,033
Interest on other interest-bearing borrowings	13,970	—
Interest on discounted bills receivable	12,327	39,601
Interest on convertible bonds (note 17)	63,526	23,456
Total interest expense	113,093	95,359
Bank and other charges	18,506	14,442
Foreign exchange loss, net	15,634	7,219
Changes in fair value on conversion option embedded in convertible bonds and warrants	—	3,838
Finance costs	147,233	120,858
Net finance costs	112,296	112,987



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	
	2020 \$'000	2019 \$'000
Salaries, wages, bonus and other benefits	189,267	103,054
Contributions to defined contribution retirement plan	1,836	3,815
	191,103	106,869

During the six months ended 30 June 2020, staff costs of the Group included accrued bonus of approximately \$100,946,000 (six months ended 30 June 2019: \$9,413,000) for the business sector teams, including coking coal and other teams. The following factors were considered in determining the bonus, business pre-tax profit (calculated by gross profit earned by each business sector team after deducting distributable finance costs and other distributable expenses) made by each business sector team, individual performance, and overall profit of the Company. A certain proportion ranging from 5%-20% of business pre-tax profit made by each business sector team is distributed to the corresponding business sector team in the form of bonus. The proportion was determined by reference to the incentive schemes of similar companies in the market, the extent to which the Company's resources are consumed, and with the aim of boosting performance so as to maintain team stability and morale, and ensuring that the Company is competitive enough in the market to retain outstanding employees.

(c) Other items

	Six months ended 30 June	
	2020 \$'000	2019 \$'000
Amortisation and depreciation*		
– property, plant and equipment	33,055	27,980
– right-of-use assets	32,449	16,942
– intangible assets	3,625	3,641
Provision for impairment losses		
– trade receivables	36,587	578
– bills receivable	1,707	(424)
Impairment/(Reversal of impairment) of non-current assets		
– property, plant and equipment	–	(15,800)
– intangible assets	11,241	–
Cost of inventories*	11,742,060	13,057,961



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items (continued)

- * Cost of inventories included \$109,000 (six months ended 30 June 2019: \$21,495,000) and \$629,000 (six months ended 30 June 2019: \$17,527,000) for the six months ended 30 June 2020 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.

6 INCOME TAX

	Six months ended 30 June	
	2020 \$'000	2019 \$'000
Current tax		
Provision for the period	59,712	17,248
Under/(Over)-provision in respect of prior years	1,802	(18,285)
Deferred Tax		
Origination and reversal of temporary differences	98	—
	61,612	(1,037)

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% (2019: 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% (2019: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

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



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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 2020 is based on profit attributable to equity shareholders of the Company of \$255,043,000 (six months ended 30 June 2019: \$237,747,000) and the weighted average number of ordinary shares of 3,032,305,000 (six months ended 30 June 2019: 3,055,074,000 shares) in issue during the six months ended 30 June 2020, calculated as follows:

Weighted average number of ordinary shares (basic):

	Six months ended 30 June	
	2020 '000	2019 '000
Issued ordinary shares at 1 January	3,046,563	3,066,723
Effect of purchase of own shares	(5,581)	(19,285)
Effect of shares held by the employee share trusts*	(8,677)	7,636
Weighted average number of ordinary shares (basic) as at 30 June	3,032,305	3,055,074

* 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	
	2020 \$'000	2019 \$'000
Profit attributable to ordinary equity shareholders	255,043	237,747
Effect of potential ordinary shares – convertible bonds	–	27,115
Profit attributable to ordinary equity shareholders (diluted)	255,043	264,862



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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	
	2020 '000	2019 '000
Weighted average number of ordinary shares as at 30 June	3,032,305	3,055,074
Effect of potential ordinary shares – convertible bonds	–	432,222
Weighted average number of ordinary shares (diluted) as at 30 June	3,032,305	3,487,296

For the six months ended 30 June 2020, basic and diluted earnings per share was the same as the effect of the potential ordinary shares outstanding was anti-diluted.

8 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Acquisitions and disposals

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with the amount of \$23,357,000 (six months ended 30 June 2019: \$33,412,000). On the other hand, items of property, plant and equipment with a net book value of \$1,792,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: \$5,786,000), resulting in a gain on disposal of \$127,000 (six months ended 30 June 2019: loss on disposal of \$1,565,000).

(b) Transfer from construction in progress

During the six months ended 30 June 2020, construction in progress with a cost of \$8,007,000 (six months ended 30 June 2019: \$21,989,000) has been transferred into property, plant and equipment.

(c) As at 30 June 2020, property ownership certificates of certain properties of the Group with an aggregate net book value of \$7,366,000 (31 December 2019: \$8,027,000) are yet to be obtained.

(d) At 30 June 2020, property, plant and equipment of the Group of \$19,883,000 (31 December 2019: \$90,150,000) have been pledged as collateral for the Group's borrowings (see note 16) and bills payable (see note 15).

9 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group entered into a number of lease agreements for land use rights and use of offices and machinery, and therefore recognised the additions to right-of-use assets of \$29,315,000.

At 30 June 2020, land use rights of the Group of \$50,291,000 (31 December 2019: \$55,538,000) have been pledged as collateral for the Group's borrowings (see note 16) and bills payable (see note 15).



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10 INTERESTS IN ASSOCIATES

The following list contains only the particulars of material associates, all of which are unlisted entities:

Name of associate	Form of business structure	Place of incorporation and business	Proportion of ownership interest				Principal activity
			Particulars of paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	
Xianghui Energy (Xiamen) Co., Ltd. ("Xianghui Energy")	Incorporated	PRC	RMB2,000,000,000	49%	–	49%	Coal trading in the PRC
Shanghai Maili Marine Technology Co., Ltd.	Incorporated	PRC	RMB5,526,000	20%	–	20%	Rendering of big data services on shipping routes

All of the above associates are accounted for using the equity method in the consolidated financial statements.

On 25 July 2019, the Company and Xiamen Xiangyu Joint Stock Company Limited entered into a cooperation agreement ("Cooperation Agreement") in relation to, among others, the formation of Xianghui Energy. Under the Cooperation Agreement, the registered capital of Xianghui Energy is RMB2 billion, of which RMB980 million is contributed by the Company through its designated subsidiary, representing 49% of the total registered capital of Xianghui Energy. Xianghui Energy commenced operation in October 2019, and is mainly engaged in trading of Mongolian coal in the PRC.

Summarised financial information of Xianghui Energy reconciled to the carrying amount in the consolidated financial statements, is disclosed below:

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Gross amounts of the associate		
Current assets	2,631,629	2,915,882
Non-current assets	3,454	2,584
Current liabilities	382,734	662,629
Non-current liabilities	197	1,239
Equity	2,252,152	2,254,598

	Six months ended 30 June 2020 \$'000	2019 \$'000
Revenue	1,470,274	–
Profit for the period	60,935	–
Other comprehensive income	(43,790)	–
Total comprehensive income	17,145	–
Dividend received from the associate	(19,591)	–



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(Expressed in Hong Kong dollars unless otherwise indicated)

10 INTERESTS IN ASSOCIATES (CONTINUED)

Reconciled to the Group's interest in the associate

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Gross amounts of net assets of the associate	2,252,152	2,254,598
Group's effective interest	49%	49%
Group's share of net assets of the associate	1,103,555	1,104,753
Carrying amount in the consolidated financial statements	1,103,555	1,104,753

Aggregate information of the associates that is not individually material:

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Aggregate carrying amount of the individually immaterial associates in the consolidated financial statements	12,071	11,254

	Six months ended 30 June 2020 \$'000	2019 \$'000
Loss from continuing operations	(546)	(10)
Total comprehensive income	(546)	(10)

11 INVENTORIES

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Coal	642,176	1,366,021
Others	27,015	21,393
	669,191	1,387,414

At 30 June 2020, inventories of the Group of \$122,700,000 (31 December 2019: \$88,012,000) 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 2020 \$'000	At 31 December 2019 \$'000
Within 3 months	917,667	1,772,853
3 to 6 months	200,001	523,523
6 to 12 months	21,896	36,211
Trade debtors and bills receivable, net of loss allowance	1,139,564	2,332,587
Other debtors	156,288	80,012
Financial assets measured at amortised cost	1,295,852	2,412,599
Deposits and prepayments	793,681	915,701
Other tax recoverable	84,627	96,898
Derivative financial instruments*	18,681	33,743
	2,192,841	3,458,941

* As at 30 June 2020 and 31 December 2019, derivative financial instruments represented the fair value of commodity futures contracts entered into by the Group.

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

The credit terms for trade debtors are generally within 90 days. The credit terms for receivables from 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 2020, bills receivable of the Group of \$151,785,000 (31 December 2019: \$107,288,000) have been pledged as collateral for the Group's bills payable (see note 15).

At 30 June 2020, bills receivable of the Group of \$224,612,000 (31 December 2019: \$178,578,000) have been pledged as collateral for the Group's borrowings (see note 16).

At 30 June 2020, bills receivable of the Group of \$406,565,000 (31 December 2019: \$1,869,073,000) have been discounted to banks with recourse (see note 16).

At 30 June 2020, trade receivables of the Group of \$50,266,000 (31 December 2019: \$nil) have been pledged as collateral for the Group's bills payable (see note 15).



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13 RESTRICTED BANK DEPOSITS

The Group has pledged bank deposits of \$1,099,260,000 (31 December 2019: \$796,246,000) as at 30 June 2020 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 2020 \$'000	At 31 December 2019 \$'000
Cash at bank and in hand	1,015,927	702,915

At 30 June 2020, cash and cash equivalents of \$566,055,000 (31 December 2019: \$569,192,000) 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.

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 2020 \$'000	At 31 December 2019 \$'000
Within 3 months	864,738	911,704
More than 3 months but less than 6 months	379,296	182,560
More than 6 months but less than 1 year	192,005	308,460
More than 1 year	6,585	5,630
Total trade and bills payable	1,442,624	1,408,354
Prepayments from customers	227,074	271,579
Payables in connection with construction projects	67,729	55,688
Payables for purchase of equipment	9,177	28,025
Payables for staff related costs	116,155	82,598
Payables for other taxes	9,367	53,552
Derivative financial instruments	—	15,851
Others	118,271	142,905
	1,990,397	2,058,552



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(Expressed in Hong Kong dollars unless otherwise indicated)

15 TRADE AND OTHER PAYABLES (CONTINUED)

At 30 June 2020, bills payable amounting to \$45,684,000 (31 December 2019: \$nil) have been secured by trade receivables with an aggregate carrying value of \$50,266,000 (31 December 2019: \$nil).

At 30 June 2020, bills payable amounting to \$888,611,000 (31 December 2019: \$681,237,000) have been secured by restricted bank deposits with an aggregate carrying value of \$738,667,000 (31 December 2019: \$520,010,000) and bills receivable with an aggregate carrying value of \$151,785,000 (31 December 2019: \$107,288,000) and trade receivables with an aggregate carrying value of \$nil (31 December 2019: \$37,362,000).

At 30 June 2020, bills payable amounting to \$213,996,000 (31 December 2019: \$151,918,000) together with bank loans amounting to \$177,453,000 (31 December 2019: \$277,336,000) have been secured by restricted bank deposits with an aggregate carrying value of \$102,573,000 (31 December 2019: \$48,001,000), property, plant and equipment with an aggregate carrying value of \$19,883,000 (31 December 2019: \$90,150,000), and land use rights with an aggregate carrying value of \$50,291,000 (31 December 2019: \$55,538,000).

16 SECURED BANK LOANS

The secured bank loans comprise:

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Short-term loans	1,268,806	2,887,531

The interest rates per annum of bank loans were:

	At 30 June 2020	At 31 December 2019
Short-term loans	1.1845% – 10.45%	2.00% – 10.45%

At 30 June 2020, bank loans amounting to \$462,867,000 (31 December 2019: \$399,243,000) have been secured by bills receivable with an aggregate carrying value of \$224,612,000 (31 December 2019: \$178,578,000) and restricted bank deposits with an aggregate carrying value of \$258,020,000 (31 December 2019: \$228,235,000).

At 30 June 2020, bank loans amounting to \$406,565,000 (31 December 2019: \$1,869,073,000) have been secured by bills receivable with recourse an aggregate carrying value of \$406,565,000 (31 December 2019: \$1,869,073,000).

At 30 June 2020, bank loans amounting to \$177,453,000 (31 December 2019: \$277,336,000) together with bills payable amounting to \$213,996,000 (31 December 2019: \$151,918,000) have been secured by restricted bank deposits with an aggregate carrying value of \$102,573,000 (31 December 2019: \$48,001,000), property, plant and equipment with an aggregate carrying value of \$19,883,000 (31 December 2019: \$90,150,000), and land use rights with an aggregate carrying value of \$50,291,000 (31 December 2019: \$55,538,000).



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16 SECURED BANK LOANS (CONTINUED)

At 30 June 2020, bank loans amounting to \$100,500,000 (31 December 2019: \$254,516,000) have been secured by credit guarantee with a guarantee amount of \$100,722,000 (31 December 2019: \$254,516,000) provided by subsidiaries of the Group.

At 30 June 2020, bank loans amounting to \$121,421,000 (31 December 2019: \$87,363,000) have been secured by inventories with an aggregate carrying value of \$122,700,000 (31 December 2019: \$88,012,000).

17 CONVERTIBLE BONDS PAYABLES

	Liability component \$'000	Derivatives component \$'000	Warrants \$'000	Total \$'000
At 1 January 2019	254,424	61,920	236	316,580
Interest charged during the year	44,626	—	—	44,626
Repayment	(68,070)	(16,395)	—	(84,465)
Repayment of interests	(15,668)	—	—	(15,668)
Fair value adjustment	—	(22,184)	(186)	(22,370)
Exchange adjustment	(1,201)	—	—	(1,201)
At 31 December 2019 and 1 January 2020	214,111	23,341	50	237,502
Interest charged during the period (note 5(a))	63,526	—	—	63,526
Repayment of interests	(5,824)	—	—	(5,824)
Fair value adjustment (note 5(a))	—	(23,341)	(50)	(23,391)
Exchange adjustment	(1,619)	—	—	(1,619)
At 30 June 2020	270,194	—	—	270,194

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 25 September 2019, 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 \$0.604 per share.



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(Expressed in Hong Kong dollars unless otherwise indicated)

17 CONVERTIBLE BONDS PAYABLES (CONTINUED)

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 were calculated using the effective interest method by applying the effective interest rate of 19.64% per annum.

In addition, 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 25 September 2019, 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 \$0.908 to \$0.761 per share.

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.

On 15 September 2019, the Company redeemed US\$10,000,000 of the outstanding principal amount of the convertible bonds as required. In addition, the Company paid a fee of US\$900,000 to the convertible bondholder for not to exercise its right to require the Company to redeem all or part of the outstanding principal amount of the remaining convertible bonds before 14 September 2020.

On 16 June 2020, the Company and the Subscriber have mutually and irrevocably agreed to early redeem all the remaining outstanding principal amount of the convertible bonds on or before 14 September 2020, resulting in an interest expenses of \$43,820,000 being recognised in profit or loss during the six months ended 30 June 2020 in respect of the excess of the outstanding principal amount and all accrued but unpaid interest of the convertible bonds over the liability component of the convertible bonds measured at amortised cost on the same date. In addition, interest expenses of \$19,706,000 (six months ended 30 June 2019: \$23,456,000) calculated using the effective interest method have been recognised in profit or loss during the six months ended 30 June 2020.

On 14 August 2020, all the remaining outstanding principal amount of the convertible bonds have been redeemed.



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(Expressed in Hong Kong dollars unless otherwise indicated)

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 2020 (six months ended 30 June 2019: \$nil).

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

	Six months ended 30 June	
	2020 \$'000	2019 \$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of \$nil per share (six months ended 30 June 2019: \$0.072 per share)	–	218,497

(b) Share capital

	At 30 June 2020 No. of shares '000	At 31 December 2019 No. of shares '000
Authorised:		
Ordinary shares with no par value	6,000,000	6,000,000

	2020		2019	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	3,046,563	5,789,362	3,066,723	5,797,302
Purchase of own shares (note i)	(5,364)	(1,878)	(20,160)	(7,940)
At 30 June 2020/31 December 2019	3,041,199	5,787,484	3,046,563	5,789,362



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital (continued)

(i) Purchase of own shares

During the six months ended 30 June 2020, the Company cancelled in aggregate of 5,364,000 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 2020, the Company has repurchased on-market own shares in aggregate of 23,772,000 shares (six months ended 30 June 2019: 42,792,000 shares) at a cash consideration of \$5,064,000 (six months ended 30 June 2019: \$16,926,000) under the RSU Scheme.

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.



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 30 June 2020 \$'000	Fair value measurements as at 30 June 2020 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement				
Assets:				
Derivative financial instruments:				
– Commodity futures contracts	18,379	18,379	–	–
– Forward foreign exchange contracts	302	–	302	–
Unlisted equity securities				
– Other investments in equity securities	98,278	–	–	98,278

	Fair value at 31 December 2019 \$'000	Fair value measurements as at 31 December 2019 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement				
Assets:				
Derivative financial instruments:				
– Commodity futures contracts	33,743	33,743	–	–
Unlisted equity securities				
– Other investments in equity securities	103,355	–	–	103,355
Liabilities:				
Derivative financial instruments:				
– Conversion option embedded in convertible bonds	23,341	–	–	23,341
– Warrants	50	–	–	50
– Forward foreign exchange contracts	15,851	–	15,851	–

During the six months ended 30 June 2020, there have been no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: \$nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Fair value hierarchy (continued)

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	Not applicable (2019: 15% to 30%)
Convertible bonds payables – warrants	Binomial tree approach	Expected volatility	Not applicable (2019: 15% to 30%)
Unlisted equity securities	Adjusted net assets method	Marketability discount	10% (2019: 10%)

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

	At 30 June 2020 \$'000	At 30 June 2019 \$'000
Unlisted equity securities:		
At 1 January	103,355	107,565
Net unrealised gain or losses recognised in other comprehensive income during the period	(1,572)	(551)
Exchange adjustments	(3,505)	(526)
At 30 June	98,278	106,488

	At 30 June 2020 \$'000	At 30 June 2019 \$'000
Conversion option embedded in convertible bonds payables and warrants:		
At 1 January	23,391	62,156
Changes in fair value recognised in profit or loss during the period	(23,391)	3,838
At 30 June	–	65,994
Total gains or losses for the period included in profit or loss assets held at the end of the reporting period	(23,391)	3,838



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)

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 "net finance costs" line item in the consolidated statement of profit or loss.

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	
	2020 \$'000	2019 \$'000
Short-term employee benefits	85,618	23,127

(b) Material related party transactions

During the year, the Group entered into the following material related party transactions:

	2020 \$'000	2019 \$'000
Rendering of integrated supply chain services to an associate	312,652	—

The directors of the Group is of the opinion that the above related party transactions were conducted on normal commercial terms and in accordance with the agreements governing such transactions.



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material related party balances

The outstanding balances arising from above transactions at consolidated statement of financial position are as follows:

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Other interest-bearing borrowings from an associate	656,832	605,788
Prepayments from an associate	3,787	113,052
Trade receivables and bills receivable	399,690	377,648
Other receivables	103,425	—
Prepayments to an associate	—	25,158

21 COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial statements are as follows:

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Contracted for	158,805	145,360

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 24 to 53 which comprises the consolidated statement of financial position of E-Commodities Holdings Limited (the "Company") as of 30 June 2020 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

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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 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
10 Chater Road
Central, Hong Kong

27 August 2020

