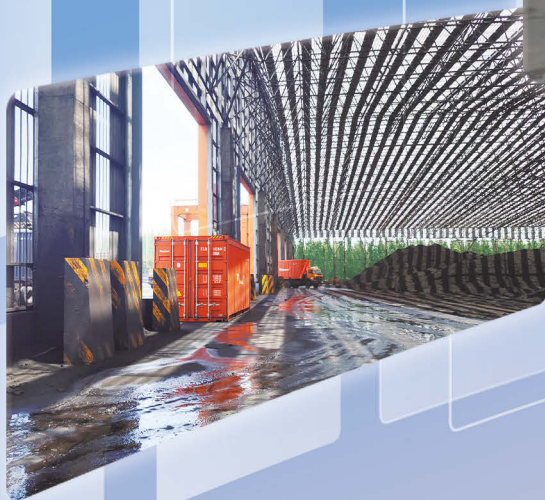


# 2022 INTERIM REPORT



**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

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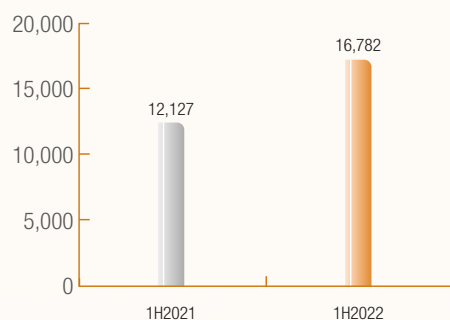


# Management Discussion and Analysis

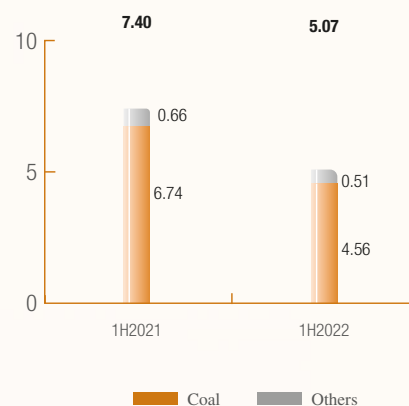
The following discussion and analysis should be read in conjunction with the financial statements of E-Commodities Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”, “**E-Commodities**” or “**we**”) and the notes thereto. The Group’s financial statements have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”).

## I. OVERVIEW

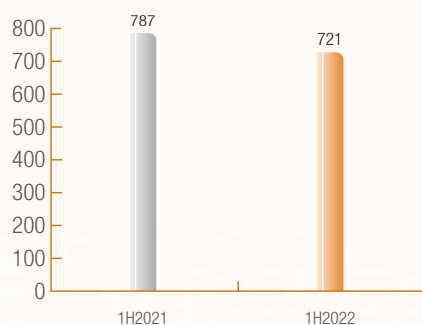
**Revenue** (in HK\$ million)



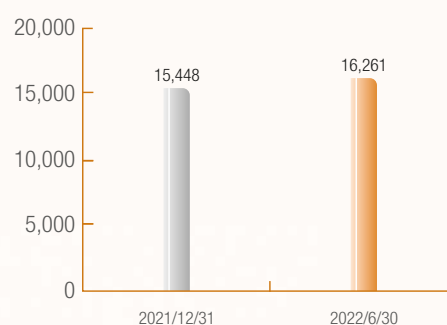
**Supply Chain Trading Volume** (million tonnes)



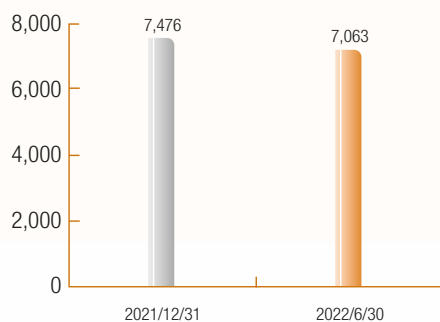
**Net Profit** (in HK\$ million)



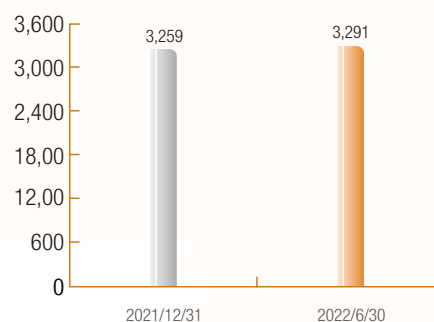
**Total Assets** (in HK\$ million)



**Total Equity** (in HK\$ million)



**Cash Balance** (in HK\$ million)



# Management Discussion and Analysis



## II. FINANCIAL REVIEW

### 1. Revenue Overview

In the six months ended 30 June 2022 (the “**Reporting Period**”), the coking coal market experienced extreme volatility, and was impacted by global macroeconomic headwinds, resurgence of the global pandemic and continued supply shortage of coal products. The international coking coal price fluctuated sharply. Recently, European and American countries have raised interest rates one after another, resulting in weakening of demands that led to a sharp drop in prices of commodities including international steel and coking coal. Under such volatile markets, the Company recorded a consolidated revenue of HK\$16,782 million, representing an increase of 38.39% compared to HK\$12,127 million for the first half of 2021, mainly due to the following factors: 1) the average selling price of coking coal increased compared to the same period due to the change of supply and demand; 2) the Group implemented the global expansion strategy for suppliers and customers; 3) the Group further expanded the domestic coking coal business, and the revenue increased by HK\$783 million compared to the same period in 2021; 4) given the various and simultaneous precautionary measures in place for coping with the COVID-19 pandemic in Mongolia, which led to the restoration of the customs clearance capacity at the ports and promotion of the Mongolian coal imports, the customs clearance at the ports were increased.

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Disaggregated by major products or service lines		
– Coal	13,066,549	9,336,743
– Oil and petrochemical products	2,148,553	1,793,729
– Rendering of integrated supply chain services	1,309,839	418,683
– Iron ore	233,535	485,438
– Coke	16,582	20,206
– Nonferrous metals	–	51,135
– Others	7,066	20,847
	16,782,124	12,126,781

In the first half of 2022, the Group further expanded its geographic coverage of business to Netherlands, Malaysia and Brazil and other countries. Sales revenue in the amount of approximately HK\$4,676 million was generated from outside the People’s Republic of China (the “**PRC**”) (including Hong Kong, Macau and Taiwan), representing 27.86% of the total revenue compared to 14.98% for the same period last year, showing the great effort of the Group in global market expansion and market diversification.

## Management Discussion and Analysis

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
– The PRC (including Hong Kong, Macau and Taiwan)	<b>12,105,899</b>	10,310,708
– South Korea	<b>1,615,422</b>	816,228
– Netherlands	<b>999,478</b>	–
– Indonesia	<b>797,403</b>	39,346
– Malaysia	<b>608,426</b>	–
– India	<b>394,378</b>	620,821
– Brazil	<b>252,856</b>	–
– Turkey	–	143,403
– Vietnam	–	71,352
– Others	<b>8,262</b>	124,923
	<b>16,782,124</b>	12,126,781

In the first half of 2022, the sales revenue from our top five customers accounted for 37.29% of our total sales, whereas the same ratio was 40.85% in the first half of 2021. As the Group further expanded the international market, our top five customers have expanded from large-scale, state-owned steel groups to internationally renowned enterprises.

### *Supply Chain Trading*

In the first half of 2022, our commodities trading business sector contributed the majority of our revenue, accounting for HK\$15,465 million, representing approximately 92.15% 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 coke.



# Management Discussion and Analysis

In the first half of 2022, the revenue of the Group was still mainly generated from the coal trading business, the revenue of coal products increased by 39.95% from HK\$9,337 million in the first half of 2021 to HK\$13,067 million in the first half of 2022. The trading volume of coking coal of the Group decreased from 6.48 million tonnes in the first half of 2021 to 4.32 million tonnes in the first half of 2022. The decrease in the trading volume of coking coal was mainly due to the weak procurement demand of downstream steel mills and poor profitability of steel products caused by the COVID-19 pandemic situation in China. However, in terms of the price, the global supply shortage for coking coal led to the rise in coking coal selling price compared to the same period last year.

## *Integrated Supply Chain Services*

In the first half of 2022, the integrated supply chain services mainly comprised transportation, warehousing, coal processing and other logistic services in Mongolia and Mainland China, and largely focused on transportation and warehousing services in Inner Mongolia and those from Mongolia mining pits to Sino-Mongolian border-crossings. In the first half of 2022, HK\$1,310 million revenue was generated from the integrated supply chain services business segment, representing an increase of 212.65% compared to HK\$419 million in the first half of 2021. This was mainly due to the increased cross-border transportation volume of Mongolian coal. The revenue from integrated supply chain services segment contributed 7.80% of the total revenue, which increased from 3.45% from the same period in 2021.

## *Business Prospects*

Under the current global turmoil, the Group will continue to operate pragmatically and strengthen risk management while continuously seizing business opportunities. At the same time, the Group will carry out the idea of ecological civilization and promote the “green” transportation of coal and other commodities, so as to realize “from bulk to container”, “intelligent” and “from road to railway”, to create a green, intelligent, safe and efficient land port and logistics system. Through Group’s proactive research, the Group has put into a new type of Automated Guided Vehicle (AGV) unmanned cross-border transportation vehicle at Sino-Mongolian border ports, in order to achieve the new mode of “passing of goods without human intervention” at the coal clearance port with a view to strive to further improve the efficiency of customs clearance and enhance the port clearance volume. The project has received strong support from the relevant government departments of China and Mongolia, and the driving test has been completed and the vehicles were put into trial operation at an initial stage. In the long run, a transportation landscape at Sino-Mongolian border-crossing ports are expected to form a coexistence of multiple transportation methods comprising manned and unmanned road and railway transportation, which is expected to improve the ports’ risk resistance capacity to a great extent and may establish a stable and efficient annual customs clearance volume.



# Management Discussion and Analysis

## 2. Cost of Goods Sold (“COGS”) and Procurement

COGS primarily consists of the purchase price, transportation costs and processing costs. COGS in the first half of 2022 was HK\$14,643 million, representing a 40.64% increase compared to HK\$10,412 million in the first half of 2021. The increase was mainly due to the increased purchase price of coal in the first half of 2022, which was higher than that of the same period in 2021. The procurement costs include the purchase price of commodities and transportation costs from overseas to the border-crossing or ports in the relevant countries where the customers are located.

	Six months ended 30 June			
	2022		2021	
	Procurement volume '000 tonnes	Procurement amounts HK\$'000	Procurement volume '000 tonnes	Procurement amounts HK\$'000
Coal	4,440	11,484,966	6,331	8,314,556
Petrochemical products	235	2,083,829	258	1,774,063
Iron ore	242	210,058	409	524,614
Coke	7	24,243	8	23,498
Nonferrous metals	–	–	2	50,800
	<b>4,924</b>	<b>13,803,096</b>	7,010	10,687,531

In the first half of 2022, the total procurement amount was HK\$13,803 million, of which, the procurement amount from top five suppliers accounted for 34.35% and such suppliers are mainly the leading coking coal suppliers in the world. No director of the Company (the “**Director(s)**”) or their close associates (as defined under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), or shareholder of the Company (the “**Shareholder(s)**”) owning more than 5% of the issued shares in the Company (the “**Shares**”), has any interest in any of our suppliers.

## 3. Gross Profit

The Group recorded a gross profit of HK\$1,457 million in the first half of 2022, representing an 8.65% increase compared to a gross profit of HK\$1,341 million in the first half of 2021. The gross profit recorded for the first half of 2022 included an inventory impairment arrangement amounting to approximately HK\$635 million. Due to the downturn trend of the coking coal after the Reporting Period, the Group has made an impairment arrangement for the underlying market price after considering the signed contract price and the unsigned contract price after the Reporting Period.

## 4. Distribution Costs

Distribution costs incurred in the first half of 2022 were HK\$99 million, representing an 106.25% increase compared to HK\$48 million in the first half of 2021. The increase in distribution costs was mainly due to the increase in domestic coking coal business.

## 5. Administrative Expenses

Administrative expenses incurred in the first half of 2022 were HK\$366 million, representing an increase of 3.98% over HK\$352 million of administrative expenses incurred in the first half of 2021.

# Management Discussion and Analysis

## 6. Staff costs

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Salaries, wages, bonus and other benefits	447,771	298,554
Contributions to defined contribution retirement plan	5,911	5,105
	<b>453,682</b>	303,659

The staff costs incurred in the first of 2022 were HK\$454 million, representing an increase of 49.41% compared to HK\$304 million in the first half of 2021. This was mainly due to the increase in wages paid to drivers of cross-border vehicles due to the substantial increase in the customs clearance of Mongolian coal imports.

## 7. Other Net Operating Expenses

In the first half of 2022, the Group recorded an other net operating expenses of HK\$50 million, compared to other net operating income of HK\$17 million in the first half of 2021. This was mainly due to a loss of approximately HK\$52 million on the futures side in the hedging of the futures business.

## 8. Net Finance Costs

Net finance costs incurred in the first half of 2022 were HK\$155 million, representing an increase of 154.10% compared to HK\$61 million in the first half of 2021. The increase was mainly due to foreign exchange loss.

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Interest income	(14,193)	(13,419)
Finance income	(14,193)	(13,419)
Interest on lease liabilities	9,223	9,694
Interest on secured bank and other loans	25,580	30,288
Interest on discounted bills receivable	16,244	16,303
Total interest expense	51,047	56,285
Foreign exchange loss, net	102,398	10,000
Bank and other charges	6,878	8,483
Changes in fair value on warrants	8,782	–
Finance costs	169,105	74,768
Net finance costs	154,912	61,349



# Management Discussion and Analysis

## 9. Net Profit and Earnings Per Share

Our net profit for the first half of 2022 was HK\$721 million, compared to net profit of HK\$787 million for the first half of 2021.

Both basic earnings per share and diluted earnings per share were HK\$0.246 for the six months ended 30 June 2022.

## 10. Interest in Xianghui Energy

Xianghui Energy (Xiamen) Co., Ltd \* (象暉能源(廈門)有限公司) (“**Xianghui Energy**”) commenced operation in October 2019 and is mainly engaged in trading Mongolian coal in the PRC. Xianghui Energy recorded revenue of HK\$3,703 million and net profit of HK\$116 million during the first half of 2022.

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

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Gross amounts of the associate		
Current assets	4,071,748	4,030,300
Non-current assets	6,191	7,444
Current liabilities	1,581,460	1,397,831
Non-current liabilities	1,105	–
Equity	2,495,374	2,639,913
	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Gross amounts of net assets of the associate	2,495,374	2,639,913
Group's effective interest	49%	49%
Group's share of net assets of the associate	1,222,733	1,293,557
	<b>Six months ended 30 June</b>	
	2022 HK\$'000	2021 HK\$'000
Revenue	3,703,288	3,023,530
Profit for the period	116,071	124,799
Other comprehensive income	(56,350)	29,308
Total comprehensive income	59,721	154,107
Dividend received from the associate	100,087	73,228

# Management Discussion and Analysis



## 11. Inventories

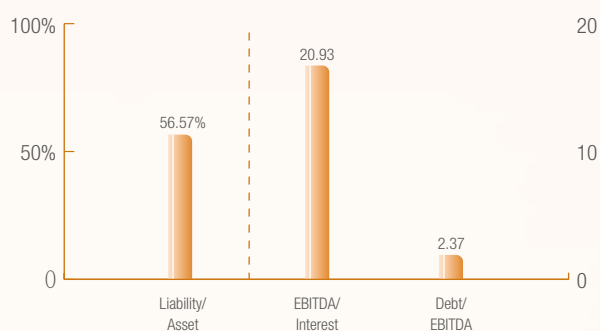
	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Coal	2,867,476	2,639,220
Others	57,957	101,875
Write down of inventories	(634,799)	(339,587)
	<b>2,290,634</b>	2,401,508

Inventories as at 30 June 2022 were HK\$2,291 million, representing a 4.62% decrease compared to HK\$2,402 million as at 31 December 2021. The decrease in inventories was mainly due to the downturn trend of the coking coal after the Reporting Period, the Group has made an impairment arrangement amounting to HK\$635 million for the underlying market price after considering the signed contract price and the unsigned contract price after the Reporting Period.

## 12. Indebtedness and Liquidity

The total amount of bank loans owed by the Group at the end of June 2022 was HK\$1,751 million. Interest rates on these loans range from 0.25% to 11.35% per annum, whereas the range for the same period in 2021 was from 0.64% to 11.35%. The Group's gearing ratio at the end of June 2022 was 56.57%, which represents an increase compared to 51.60% at the end of December 2021. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.

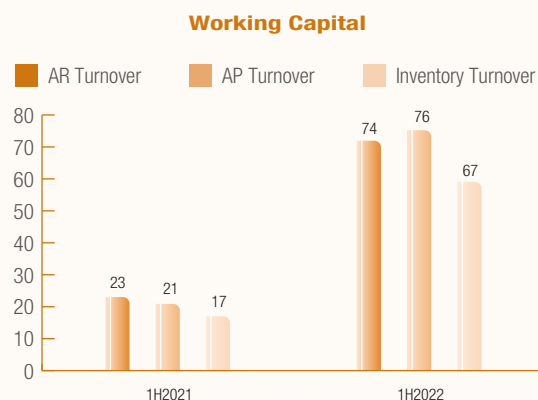
### Indebtedness and Liquidity



# Management Discussion and Analysis

## 13. Working Capital

In the first half of 2022, our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 74 days, 76 days, and 67 days, respectively. As a result, the overall cash conversion cycle was approximately 65 days.



## 14. Pledge of Assets

As at 30 June 2022, bank loans amounting to HK\$524,742,000 (31 December 2021: HK\$124,756,000) were secured by credit guarantee with a guarantee amount of HK\$524,742,000 (31 December 2021: HK\$124,756,000) provided by subsidiaries of the Company.

As at 30 June 2022, bank loans amounting to HK\$186,454,000 (31 December 2021: HK\$218,271,000) together with bills payable amounting to HK\$246,291,000 (31 December 2021: HK\$183,225,000) were secured by restricted bank deposits with an aggregate carrying value of HK\$76,005,000 (31 December 2021: HK\$91,613,000), property, plant and equipment with an aggregate carrying value of HK\$250,649,000 (31 December 2021: HK\$230,140,000), and land use rights with an aggregate carrying value of HK\$236,631,000 (31 December 2021: HK\$255,503,000).

As at 30 June 2022, bank loans amounting to HK\$692,502,000 (31 December 2021: HK\$nil) were secured by inventories with an aggregate carrying value of HK\$321,948,000 (31 December 2021: HK\$nil) and accounts receivable with an aggregate carrying value of HK\$303,904,000 (31 December 2021: HK\$nil).



# Management Discussion and Analysis

As at 30 June 2022, bank loans amounting to HK\$312,079,000 (31 December 2021: HK\$931,063,000) were secured by bills receivable with an aggregate carrying value of HK\$317,265,000 (31 December 2021: HK\$927,112,000), and restricted bank deposits with an aggregate carrying value of HK\$nil (31 December 2021: HK\$5,451,000)

As at 30 June 2022, bank loans amounting to HK\$35,067,000 (31 December 2021: HK\$93,570,000) were secured by restricted bank deposits with an aggregate carrying value of HK\$35,079,000 (31 December 2021: HK\$99,201,000)

As at 30 June 2022, bills payable amounting to HK\$1,944,788,000 (31 December 2021: HK\$653,086,000) were secured by restricted bank deposits with an aggregate carrying value of HK\$789,625,000 (31 December 2021: HK\$377,012,000), bills receivable with an aggregate carrying value of HK\$971,616,000 (31 December 2021: HK\$282,244,000) and inventories with an aggregate carrying value of HK\$235,619,000 (31 December 2021: HK\$nil).

As at 30 June 2022, lease liabilities amounting to HK\$175,884,000 (31 December 2021: HK\$24,336,000) were secured by property, plant and equipment with an aggregate carrying value of HK\$48,499,000 (31 December 2021: HK\$51,863,000), land use rights with an aggregate carrying value of HK\$96,758,000 (31 December 2021: HK\$25,477,000).

## 15. Cash Flow

In the first half of 2022, the Group had an operating cash inflow of HK\$659 million compared to HK\$462 million cash outflow during the same period last year. The net cash inflow from operating activities in the first half of 2022 was mainly contributed from cash profit of HK\$845 million and net cash outflow of working capital changes of HK\$228 million.

In the first half of 2022, the Group had a cash outflow from investing activities of HK\$436 million compared to HK\$8 million cash inflow during the same period last year. The net cash outflow from investing activities in the first half of 2022 was mainly attributable to cash outflow from investment in logistics assets.

In the first half of 2022, the Group had a cash outflow from financing activities of HK\$121 million compared to HK\$632 million cash inflow during the same period last year. The cash outflow from financing activities in the first half of 2022 was mainly attributable to cash outflow of repayment of bank loans, on-market repurchase of shares, and dividend paid to equity Shareholders.

## Management Discussion and Analysis

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 are 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:

	<b>Six months ended 30 June 2022*</b>	<b>Adjustments</b>	<b>Adjusted six months ended 30 June 2022**</b>
	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents at 1 January	3,259,393		3,259,393
Net cash generated from/(used in) operating activities	658,502	(402,225)	256,277
Net cash generated from/(used in) investing activities	(436,104)	94,370 <sup>1</sup>	(341,734)
Net cash generated from/(used in) financing activities	(121,354)	307,855 <sup>2</sup>	186,501
Effect of foreign exchange rate changes	(69,098)		(69,098)
Cash and cash equivalents as at 30 June	3,291,339		3,291,339

Note:

1. Full margin deposit for letter of credit
  2. Discounted bills and bill pledged loans
- \* Derived from consolidated cash flow statement of the Group'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 2022, the Group's main financing methods were notes receivable, discounted letters of credit and banking facilities.

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

The main currencies of the Company's business and operation were US dollars and Renminbi. For the business for which purchases were made in US dollars and sales were made in Renminbi, the Company paid close attention to the exchange rate of US dollars to Renminbi. In the fluctuation of foreign exchange rate of US dollars to Renminbi, the Company used foreign exchange derivatives to avoid exchange rate fluctuation risks and lock in business profits.

## IV. RISK FACTORS

The operation of the Group involves certain risks, some of which are beyond our control. The risks set out below are those that the Group currently believes may materially affect its performance and 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 52.58% of the Group's turnover in the first half of 2022 were denominated in Renminbi. Over 66.76% 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 from the 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 and Heightened Geopolitical Tensions

The resurgence of COVID-19 pandemic since late 2021 had a substantial impact on the recovery of domestic and foreign economies. The heightened geopolitical tensions arising from recent events continue to bring uncertainties to the Group's operating environment and may impact Group's operations and financial position. The supply of metallurgical coal in Australia, a major coal producer, was reduced due to the dual impact of the pandemic and heavy rainfall, leading to a significant increase in the international coal prices and the inversion of domestic and international coal prices, which inhibited the demand of imports. In the first half of the year, the enterprises of domestic downstream coke and steel industries were not so profitable, and thus having a low intention to purchase. In light of the aforementioned, the Company purchases on a rolling basis based on the market demand in which the Company accordingly reduced its purchase amount when the demand in the downstream is low, so as to manage the business associated risks.

On the other hand, the COVID-19 control measures by the Chinese government has been adjusted from "prevention and control oriented" to "able to both prevent and open". Through the control measures of prior PCR testing, domestic closed-loop management and staggered work shifts, and with the joint efforts of the Chinese government and enterprises, cargo passed through the Sino-Mongolian border-crossing ports have been increased. Besides, Gants Mod Port resumed transportation at the end of March 2022 and Ceke Port resumed customs clearance at the end of May 2022. Under such background, the Company's revenue from Sino-Mongolian integrated supply chain services increased and the gross profit improved during the Reporting Period.

Due to the uncertainty of the development and spread of COVID-19 after the date of this interim report, further changes in the economic conditions of the Group arising therefrom may further affect the financial results of the Group, the extent of which cannot be estimated as at the date of this interim report. The Group will continue to monitor the development of the COVID-19 outbreak and take proactive measures to address its impact on the financial position and business performance of the Group.

# Management Discussion and Analysis



## V. HUMAN RESOURCES

### Employee Overview

The Group aims to set up a performance-oriented compensation and benefit system while balancing the internal and external market in different job positions. As at 30 June 2022, the Company had subsidiaries or branch offices in the PRC (including Hong Kong and Macau), Singapore, Mongolia and other countries and regions. The Group has entered into formal employment contracts with all employees and pays all mandatory social insurances in full in the relevant countries and regions in strict compliance with the applicable laws and regulations.

As at 30 June 2022, the Group had 1,520 full-time employees (excluding 655 labor dispatch workers in the PRC subsidiaries). Detailed figures by category of employees are as follows:

Functions	No. of Employees	Percentage
Management, administration and finance	98	7%
Front-line production, production support and maintenance	68	4%
Sales and marketing	80	5%
Others (including projects, coal washing and transportations)	291	19%
Cargo drivers (Mongolia)	983	65%
<b>Total</b>	<b>1,520</b>	<b>100%</b>

### Employee Education Overview

Qualifications	No. of Employees	Percentage
Master and above	46	3%
Bachelor	234	15%
Diploma	83	6%
Middle-school (secondary school) and below	1,157	76%
<b>Total</b>	<b>1,520</b>	<b>100%</b>

### Training Overview

Training is essential for the Group to improving the employees' working capabilities and management skills. For the six months ended 30 June 2022, the Group held various internal and external training programs in an aggregate of 107 training hours for 929 participants in total.

Training Courses	No. of hours	No. of participants
Safety	24	375
Management and leadership	75	545
Professional skill	8	9
<b>Total</b>	<b>107</b>	<b>929</b>





# 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 2022.

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 2021 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

During the Reporting Period, the Board considered repurchases of shares will lead to an enhancement of the net asset value per Share and/or earnings per Share, thus the Company repurchased a total of 113,460,000 Shares on the Stock Exchange at an aggregate settlement cost of approximately HK\$136,761,496. All the abovementioned Shares repurchased during the Reporting Period were cancelled as at the date of this interim report.

In addition, during the period commencing from 1 July 2022 to the date of this interim report, the Company further repurchased a total of 60,020,000 Shares on the Stock Exchange at an aggregate settlement cost of approximately HK\$98,449,608.10 which will be cancelled in due course.

## VIII. OTHER EVENTS DURING THE REPORTING PERIOD

### Adoption of the 2022 RSU Scheme

On 6 January 2022, the Board approved the adoption of the 2022 restricted share unit scheme of the Company (the “**2022 RSU Scheme**”) given the existing restricted share unit scheme is expiring on 11 June 2022. The purpose of the 2022 RSU Scheme is to retain and motivate participants to make contributions to the long-term growth and profits of the Group with a view to achieving the objective of increasing the value of the Group and to promote a greater alignment of interests between participants and the Shareholders. The 2022 RSU Scheme shall be valid and effective for a period of ten (10) years commencing from the date of adoption of the 2022 RSU Scheme. The total number of Shares underlying the restricted share units to be granted under the 2022 RSU Scheme (excluding the Shares underlying the restricted share units that are lapsed or cancelled in accordance with the relevant provisions of the 2022 RSU Scheme) shall not exceed 10% of the issued Shares as at the date of the adoption of 2022 RSU Scheme.

Pursuant to a trust deed entered into between the Company and Computershare Hong Kong Trustee Limited (the “**Trust Deed**”), the Company appointed Computershare Hong Kong Trustee Limited as the trustee for the administration of the 2022 RSU Scheme pursuant to the terms of the 2022 RSU Scheme (the “**Trustee**”). Under the Trust Deed, the Trustee shall not exercise any voting rights in respect of the Shares held pursuant to the settlement created by the Trust Deed. The Trustee will administer the 2022 RSU Scheme in accordance with the terms of the 2022 RSU Scheme and the Trust Deed.

# Management Discussion and Analysis



The grant of restricted share units shall be satisfied by existing Shares to be acquired by the Trustee through on-market transactions. The Company shall procure that sufficient funds are provided to the Trustee to enable the Trustee to satisfy its obligations in connection with the 2022 RSU Scheme. Further details of the 2022 RSU Scheme are set out in the Company's announcement dated 6 January 2022.

## Exercise of Warrants and issue of Warrant Shares

On 21 February 2022, the warrant subscription rights attaching to all the warrants issued by the Company dated 14 September 2017 (the "**Warrants**") were exercised by the Star-Trinity Profits Limited (the "**Warrantholder**") in accordance with the instrument of the Warrants (the "**Warrants Instrument**") and a total number of 118,060,606 Shares underlying the Warrants (the "**Warrant Share(s)**") were issued on 21 February 2022. The initial subscription price for the Warrants was HK\$0.99 per Warrant Share (the "**Warrant Subscription Price**") with the effective period of five years from 14 September 2017 to 13 September 2022. The Warrant Subscription Price was subsequently adjusted pursuant to the terms and conditions of the Warrant Instrument as a result of the declaration of an interim dividend of HK\$0.038 per Share for the six month ended 30 June 2017, the declaration of the final dividend of HK\$0.034 per Share for the year ended 31 December 2017, the declaration of the final dividend of HK\$0.072 per Share for the year ended 31 December 2018 and the declaration of a special dividend of HK\$0.064 per Share on 30 September 2021. Accordingly, the Warrant Subscription Price was adjusted to HK\$0.654 per Warrant Share. The gross proceeds from the issue of Warrant Shares were HK\$77,211,636.32 and the net proceeds from the issue of Warrant Shares, after deducting related fees and expenses, were HK\$77,054,712.62. Pursuant to the terms and conditions of the Warrant Instrument, the Company proposes to apply such proceeds for daily liquidity and business development of the Company.

The Warrants were transferred by Lord Central Opportunity VII Limited, the subscriber of the Warrants, to the Warrantholder on 11 October 2021. Upon the completion of the exercise of Warrants, 118,060,606 Warrant Shares were issued to the Warrantholder, representing approximately 4.12% of the total number of shares in issue in the Company as at 21 February 2022. The Warrant Shares issued to the Warrantholder shall rank pari passu and carry the same rights and privilege in all aspects with the fully paid Shares in issue as at the date of allotment and issue of such Warrant Shares. After the completion of the issue of Warrant Shares, there were no outstanding Warrant Subscription Rights for the Warrantholder.

Further details of the exercise of Warrants and issue of Warrant Shares are set out in the Company's announcement dated 21 February 2022.

## Other Information

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

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules, to be notified to the Company and the 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 <sup>(1)</sup>
Cao Xinyi	The Company	Beneficial owner	12,052,041	0.42%
Wang Yaxu	The Company	Beneficial owner	10,736,190	0.37%
Di Jingmin	The Company	Beneficial owner	3,013,030	0.11%

Note:

(1) The percentage shareholding of the Company is calculated on the basis of 2,867,922,962 Shares in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, so far as is known to any Director or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



## Other Information

### SHARE-BASED INCENTIVE PLANS

#### 2012 Restricted Share Unit Scheme

With respect to a restricted share unit scheme, which was adopted by the Shareholders on 11 June 2012 and amended on 27 June 2018 (the “**2012 Restricted Share Unit Scheme**”), and the term of which shall be 10 years commencing from the adoption date, the Company may grant restricted share unit awards (“**RSU Awards**”) to Directors (including executive Director, non-executive Director and independent non-executive Director), officers, full-time employees, advisors and agents who provide value-added services to the Company or its subsidiaries. The 2012 Restricted Share Unit Scheme expired on 11 June 2022.

During the Reporting Period, no RSU Awards were granted under the 2012 Restricted Share Unit Scheme and there was no outstanding and unvested RSU Awards thereunder as at 30 June 2022.

#### 2022 RSU Scheme

Under the 2022 RSU Scheme, the Company may grant RSU Awards to (i) a director, officer, member of senior management of any member of the Group; (ii) any non-executive Director (including independent non-executive Director); (iii) any advisor and agent who provides value-added services to the Group, as determined by the Board in its sole discretion in accordance with the terms of the 2022 RSU Scheme.

The purpose of the 2022 RSU Scheme is to retain and motivate the participants to make contributions to the long-term growth and profits of the Group with a view to achieving the objective of increasing the value of the Group and to promote a greater alignment of interests between participants and the Shareholders. The grant of RSU Awards under the 2022 RSU Scheme shall be satisfied by existing Shares to be acquired the trustee through on-market transaction pursuant to the terms of the 2022 RSU Scheme and the Trust Deed.

During the Reporting Period, there was no RSU Awards granted under the 2022 RSU Scheme.

Save as disclosed above, at no time during the Reporting Period was the Company, its holding companies or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

## Other Information

### SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2022, 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 <sup>(1)</sup>	Approximate percentage of interest in the corporation <sup>(5)</sup>
Wang Yihan <sup>(2)</sup>	The Company	Interest of controlled corporation	1,500,080,608 (L)	52.31%
Famous Speech Limited	The Company	Beneficial Owner	1,500,080,608 (L)	52.31%
Wang Xingchun <sup>(3)</sup>	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)	52.31%
Winsway Resources Holdings Limited <sup>(3)</sup>	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)	52.31%
China Minmetals Corporation <sup>(4)</sup>	The Company	Interest of controlled corporation	1,503,195,952 (L)	52.41%
Magnificent Gardenia Limited <sup>(4)</sup>	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)	52.31%

## Other Information



### Notes:

1. (L) – long position.
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. China Minmetals Corporation (“**China Minmetals**”) is deemed to be interested in 1,503,195,952 Shares, of which 3,115,344 Shares were held by certain other companies that are controlled directly or indirectly by China Minmetals (all of which were subsequently sold by its controlled company), 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 of the SFO 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.
5. The percentage shareholding of the Company is calculated on the basis of 2,867,922,962 Shares in issue as at 30 June 2022, as the denominator.

Save as disclosed above, as at 30 June 2022, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions representing 5% or more of the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Other Information

### AUDIT COMMITTEE

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

During the six months ended 30 June 2022, 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 2022, 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.

### 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 2022, 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 2022. 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

Throughout the six months ended 30 June 2022, the Company complied with the code provisions (the “**Code Provisions**”) set out in Part 2 of the CG Code, 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. Ms. Cao Xinyi, the chairman of the Board (the “**Chairman**”), was appointed as the chief executive officer of the Company (“**CEO**”) on 18 July 2019. 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. In addition, under the supervision of the Board (which consists of 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors) and Board committees (only 2 executive Directors served on the Board committees and other members of which are all independent non-executive Directors), the Board is appropriately structured with a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders as a whole. Therefore, the Board considers that the deviation from the Code Provision A.2.1 is appropriate in such circumstances.

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 2022.

### INTERIM DIVIDEND

The declaration of an interim dividend in cash of HK\$0.061 per Share has been approved by the Board, which is expected to be payable on or around 18 January 2023. The Company will make a further announcement to set out the details on the payment of the interim dividend and closure of register of members of the Company.

## Other Information



### 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 2022.

### 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 2022 and up to the latest practicable date prior to the printing of this report, the Company has maintained the amount of public float of not less than 25% of the Company's issued Shares as required under the Listing Rules.

### BOARD

The composition of the Board is set out below:

#### Executive Directors:

Ms. Cao Xinyi  
Mr. Wang Yaxu  
Ms. Di Jingmin  
Mr. Zhao Wei

#### Non-executive Director:

Mr. Guo Lisheng

#### Independent Non-executive Directors:

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

### UPDATE ON DIRECTOR'S INFORMATION

On 31 January 2022, the Company entered into a supplemental appointment letter with each of the independent non-executive Directors, pursuant to which the Company agreed to increase the cash remuneration of each of Mr. Ng Yuk Keung, Mr. Wang Wenfu and Mr. Gao Zhikai to US\$200,000 per annum for the period commencing from 1 January 2021 or the date of the existing appointment letter (as the case may be) and ending on the expiration of the relevant existing appointment letters. Save and except for the above, other terms and conditions of the existing appointment letter of each independent non-executive Director remained unchanged.

On 25 May 2022, Mr. Ng Yuk Keung ("**Mr. Ng**") retired as an executive director of Kingsoft Corporation Limited (Stock Code: 03888) by rotation at the annual general meeting and did not offer himself for re-election. Mr. Ng is currently an independent non-executive director of Sany Heavy Equipment International Holdings Limited (Stock Code: 00631).

Save as disclosed above, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.



# Consolidated statement of profit or loss

for the six months ended 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	4	<b>16,782,124</b>	12,126,781
Cost of sales		<b>(15,325,474)</b>	(10,785,722)
<b>Gross profit</b>		<b>1,456,650</b>	1,341,059
Other revenue		<b>22,782</b>	8,167
Distribution costs		<b>(99,018)</b>	(47,786)
Administrative expenses		<b>(366,037)</b>	(351,909)
Other operating (expenses)/income, net	5	<b>(49,841)</b>	16,773
Impairment of non-current assets	6(c)	<b>(19,200)</b>	(76,256)
<b>Profit from operations</b>		<b>945,336</b>	890,048
Finance income	6(a)	<b>14,193</b>	13,419
Finance costs	6(a)	<b>(169,105)</b>	(74,768)
Net finance costs		<b>(154,912)</b>	(61,349)
Share of profits of associates	11	<b>56,824</b>	89,422
Share of losses of joint ventures		<b>(2,169)</b>	(6,838)
<b>Profit before taxation</b>		<b>845,079</b>	911,283
Income tax	7	<b>(124,003)</b>	(124,057)
<b>Profit for the period</b>		<b>721,076</b>	787,226
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>703,305</b>	777,526
Non-controlling interests		<b>17,771</b>	9,700
<b>Profit for the period</b>		<b>721,076</b>	787,226
<b>Earnings per share</b>	8		
Basic and diluted (HK\$)		<b>0.246</b>	0.257

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 21(a).

# Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2022 – unaudited (Expressed in Hong Kong dollars)



	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
<b>Profit for the period</b>	<b>721,076</b>	787,226
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
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)	(4,886)	(2,164)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	(285,362)	63,459
<b>Other comprehensive income for the period</b>	<b>(290,248)</b>	61,295
<b>Total comprehensive income for the period</b>	<b>430,828</b>	848,521
<b>Attributable to:</b>		
Equity shareholders of the Company	417,376	838,054
Non-controlling interests	13,452	10,467
<b>Total comprehensive income for the period</b>	<b>430,828</b>	848,521

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

# Consolidated statement of financial position

at 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

	Note	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment, net	9	1,231,798	1,215,914
Right-of-use assets	10	693,237	759,215
Construction in progress		333,486	282,072
Intangible assets		93,115	93,003
Interests in associates	11	1,224,994	1,294,877
Interests in joint ventures		70,288	95,182
Other investments in equity securities		95,738	106,997
Deferred tax assets		132,341	78,731
Other non-current assets	12	103,099	–
<b>Total non-current assets</b>		<b>3,978,096</b>	<b>3,925,991</b>
<b>Current assets</b>			
Inventories	13	2,290,634	2,401,508
Trade and other receivables	14	5,665,638	4,863,070
Restricted bank deposits	15	1,035,449	998,031
Cash and cash equivalents	16	3,291,339	3,259,393
<b>Total current assets</b>		<b>12,283,060</b>	<b>11,522,002</b>
<b>Current liabilities</b>			
Secured bank loans	20	1,744,752	1,362,557
Trade and other payables	17	5,866,241	4,742,249
Other interest-bearing borrowings	23(b)	481,571	648,289
Lease liabilities		152,687	145,485
Income tax payable		440,956	501,830
Warrants	18	–	62,763
Provisions	19	294,270	292,421
<b>Total current liabilities</b>		<b>8,980,477</b>	<b>7,755,594</b>
<b>Net current assets</b>		<b>3,302,583</b>	<b>3,766,408</b>
<b>Total assets less current liabilities</b>		<b>7,280,679</b>	<b>7,692,399</b>

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

# Consolidated statement of financial position

at 30 June 2022 – unaudited (Expressed in Hong Kong dollars)



	Note	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
<b>Non-current liabilities</b>			
Secured bank loans	20	6,092	5,103
Lease liabilities		148,203	125,364
Deferred income		55,502	64,468
Deferred tax liabilities		8,030	21,186
<b>Total non-current liabilities</b>		<b>217,827</b>	216,121
<b>NET ASSETS</b>			
		<b>7,062,852</b>	7,476,278
<b>CAPITAL AND RESERVES</b>			
Share capital	21(b)	5,661,398	5,784,673
Reserves		1,138,945	1,442,548
<b>Total equity attributable to equity shareholders of the Company</b>		<b>6,800,343</b>	7,227,221
<b>Non-controlling interests</b>		<b>262,509</b>	249,057
<b>TOTAL EQUITY</b>		<b>7,062,852</b>	7,476,278

Approved and authorised for issue by the board of directors on 24 August 2022.

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 2022 – unaudited (Expressed in Hong Kong dollars)

	Share capital HK\$'000 (note 21(b))	Statutory reserve HK\$'000	Employee share trusts HK\$'000 (note 21(b))	Exchange reserve HK\$'000	Treasury shares HK\$'000	Fair value reserve (non- recycling) HK\$'000	Other reserve HK\$'000	(Accumulated loss)/ Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2021</b>	5,784,673	269,589	(6,675)	122,744	–	(30,719)	(45,328)	(2,167,531)	3,926,753	(116,140)	3,810,613
<b>Changes in equity for the six months ended 30 June 2021:</b>											
Total comprehensive income	–	–	–	62,692	–	(2,164)	–	777,526	838,054	10,467	848,521
Contribution to employee share trusts	–	–	(7,598)	–	–	–	–	–	(7,598)	–	(7,598)
Dividends to non-controlling interest	–	–	–	–	–	–	–	–	–	(462)	(462)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(1,198)	(1,198)
<b>Balance at 30 June 2021 and 1 July 2021</b>	5,784,673	269,589	(14,273)	185,436	–	(32,883)	(45,328)	(1,390,005)	4,757,209	(107,333)	4,649,876
<b>Changes in equity for the six months ended 31 December 2021:</b>											
Total comprehensive income	–	–	–	113,477	–	(5,033)	–	2,684,718	2,793,162	24,279	2,817,441
Purchase of own shares	–	–	–	–	(144,582)	–	–	–	(144,582)	–	(144,582)
Contribution to employee share trusts	–	–	(13,027)	–	–	–	–	–	(13,027)	–	(13,027)
Grant of restricted share units to employees	–	–	27,300	–	–	–	1,457	–	28,757	–	28,757
Appropriation to statutory reserve	–	146,829	–	–	–	–	–	(146,829)	–	–	–
Capital injection from non-controlling interests	–	–	–	–	–	–	(578)	–	(578)	332,111	331,533
Dividends declared	–	–	–	–	–	–	–	(193,720)	(193,720)	–	(193,720)
<b>Balance at 31 December 2021</b>	5,784,673	416,418	–	298,913	(144,582)	(37,916)	(44,449)	954,164	7,227,221	249,057	7,476,278



# Consolidated statement of changes in equity

for the six months ended 30 June 2022 – unaudited (Expressed in Hong Kong dollars)

	Share capital HK\$'000 (note 21(b))	Statutory reserve HK\$'000	Employee share trusts HK\$'000 (note 21(b))	Exchange reserve HK\$'000	Treasury shares HK\$'000	Fair value reserve (non- recycling) HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2022</b>	<b>5,784,673</b>	<b>416,418</b>	<b>-</b>	<b>298,913</b>	<b>(144,582)</b>	<b>(37,916)</b>	<b>(44,449)</b>	<b>954,164</b>	<b>7,227,221</b>	<b>249,057</b>	<b>7,476,278</b>
<b>Changes in equity for the six months ended 30 June 2022:</b>											
Total comprehensive income	-	-	-	(281,043)	-	(4,886)	-	703,305	417,376	13,452	430,828
Purchase of own shares	(272,030)	-	-	-	144,582	-	-	-	(127,448)	-	(127,448)
Shares issued for exercise of warrants (note 21(b)(ii))	148,755	-	-	-	-	-	-	-	148,755	-	148,755
Dividends declared (note 21(a))	-	-	-	-	-	-	-	(865,561)	(865,561)	-	(865,561)
<b>Balance at 30 June 2022</b>	<b>5,661,398</b>	<b>416,418</b>	<b>-</b>	<b>17,870</b>	<b>-</b>	<b>(42,802)</b>	<b>(44,449)</b>	<b>791,908</b>	<b>6,800,343</b>	<b>262,509</b>	<b>7,062,852</b>

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 2022 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
<b>Operating activities</b>			
Profit before taxation		<b>845,079</b>	911,283
Interest expense	6(a)	<b>51,047</b>	56,285
Depreciation of property, plant and equipment and right-of-use assets	6(c)	<b>119,493</b>	106,779
Impairment losses on non-current assets	6(c)	<b>19,200</b>	76,256
Net realised and unrealised losses/(gain) in fair value on derivative financial instruments	5	<b>59,343</b>	(21,164)
Changes in fair value on warrants	6(a)	<b>8,782</b>	–
Share of profits of associates		<b>(56,824)</b>	(89,422)
Share of losses of joint ventures		<b>2,169</b>	6,838
Foreign exchange loss, net	6(a)	<b>102,398</b>	10,000
Other adjustments		<b>(2,095)</b>	(9,167)
Income tax paid		<b>(262,584)</b>	(64,396)
Net change in inventories, trade and other receivables and trade and other payables		<b>(227,506)</b>	(1,445,432)
<b>Net cash generated from/(used in) operating activities</b>		<b>658,502</b>	(462,140)
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment, construction in progress, right-of-use assets and intangible assets		<b>(381,380)</b>	(239,576)
(Increase)/decrease in restricted bank deposits		<b>(37,418)</b>	167,011
Dividends received from an associate		<b>100,087</b>	73,228
Net cash outflows from purchase or settlement of derivative financial instruments		<b>(133,333)</b>	(14,975)
Other cash flows arising from investing activities		<b>15,940</b>	22,668
<b>Net cash (used in)/generated from investing activities</b>		<b>(436,104)</b>	8,356

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 2022 – unaudited (Expressed in Hong Kong dollars)



	Note	Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
<b>Financing activities</b>			
Capital element of lease rentals paid		(104,505)	(77,170)
Interest element of lease rentals paid		(9,223)	(10,435)
Proceeds from bank loans		6,982,574	7,405,568
Repayment of bank loans		(6,558,948)	(6,629,888)
Proceeds from interest-bearing borrowings from an associate		108,862	49,913
Repayment of interest-bearing borrowings from an associate		(252,101)	(49,913)
Interests paid		(44,055)	(47,518)
Contribution to employee share trusts		–	(7,598)
Dividends paid to equity shareholders of the Company		(193,720)	–
Purchase of own shares		(127,448)	–
Proceeds from shares issued for exercise of warrants		77,210	–
Other cash flows arising from financing activities		–	(588)
<b>Net cash (used in)/generated from financing activities</b>		<b>(121,354)</b>	632,371
<b>Net increase in cash and cash equivalents</b>		<b>101,044</b>	178,587
<b>Cash and cash equivalents at 1 January</b>	16	<b>3,259,393</b>	721,819
<b>Effect of foreign exchange rate changes</b>		<b>(69,098)</b>	6,955
<b>Cash and cash equivalents at 30 June</b>	16	<b>3,291,339</b>	907,361

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 integrated supply chain services.

## 2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 24 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 2021 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.

The interim financial report is presented in Hong Kong dollars (“HK\$”), which is different from the functional currency of the Company and its principal subsidiaries. The Company’s functional currency is United States dollars (“US\$”). As the Company is a listed company in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK\$.



# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendment to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

### **Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use***

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

### **Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract***

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING

The Group is principally engaged in the processing and trading of coal and other products and providing integrated supply chain services. Revenue represents the sales value of goods sold, net of value added tax and other sales taxes and is after any trade discounts, and revenue from providing integrated supply chain 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	
	2022 HK\$'000	2021 HK\$'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major products or service lines		
– Coal	13,066,549	9,336,743
– Oil and petrochemical products	2,148,553	1,793,729
– Rendering of integrated supply chain services	1,309,839	418,683
– Iron ore	233,535	485,438
– Coke	16,582	20,206
– Nonferrous metals	–	51,135
– Others	7,066	20,847
	<b>16,782,124</b>	<b>12,126,781</b>

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Disaggregated by geographical location of customers		
– The PRC (including Hong Kong, Macau and Taiwan)	12,105,899	10,310,708
– South Korea	1,615,422	816,228
– Netherlands	999,478	–
– Indonesia	797,403	39,346
– Malaysia	608,426	–
– India	394,378	620,821
– Brazil	252,856	–
– Turkey	–	143,403
– Vietnam	–	71,352
– Others	8,262	124,923
	<b>16,782,124</b>	<b>12,126,781</b>

For the six months ended 30 June 2022, among the Group's revenue from the trading of coal and other products, products totalling HK\$700,557,000 (six months ended 30 June 2021: HK\$323,792,000) 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.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b).

# 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		Rendering of integrated supply chain services		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
<b>For the six months ended 30 June</b>						
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	15,472,285	11,708,098	1,125,187	362,715	16,597,472	12,070,813
Over time	–	–	184,652	55,968	184,652	55,968
Revenue from external customers	15,472,285	11,708,098	1,309,839	418,683	16,782,124	12,126,781
Inter-segment revenue	–	–	316,850	195,547	316,850	195,547
<b>Reportable segment revenue</b>	<b>15,472,285</b>	<b>11,708,098</b>	<b>1,626,689</b>	<b>614,230</b>	<b>17,098,974</b>	<b>12,322,328</b>
<b>Reportable segment profit (adjusted EBITDA)</b>	<b>550,788</b>	<b>1,073,404</b>	<b>583,611</b>	<b>86,273</b>	<b>1,134,399</b>	<b>1,159,677</b>
Interest income	13,209	13,291	984	128	14,193	13,419
Interest expense	(37,372)	(45,072)	(13,675)	(11,213)	(51,047)	(56,285)
Depreciation and amortisation	(36,079)	(44,694)	(86,750)	(65,739)	(122,829)	(110,433)
Impairment of non-current assets	–	(55,685)	(19,200)	(20,571)	(19,200)	(76,256)
Reversal of/(provision for) impairment losses on trade and other receivables	7,965	(788)	(344)	432	7,621	(356)
Additions to non-current segment assets during the period	21,005	50,926	242,649	274,906	263,654	325,832
<b>As at 30 June/31 December</b>						
<b>Reportable segment assets</b>	<b>14,952,255</b>	<b>14,231,449</b>	<b>3,919,886</b>	<b>3,064,042</b>	<b>18,872,141</b>	<b>17,295,491</b>
<b>Reportable segment liabilities</b>	<b>9,493,744</b>	<b>7,973,002</b>	<b>1,998,900</b>	<b>1,401,926</b>	<b>11,492,644</b>	<b>9,374,928</b>

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 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	
	2022 HK\$'000	2021 HK\$'000
Reportable segment profit	<b>1,134,399</b>	1,159,677
Depreciation and amortisation	<b>(122,829)</b>	(110,433)
Net finance costs	<b>(154,912)</b>	(61,349)
Impairment of non-current assets	<b>(19,200)</b>	(76,256)
Reversal of/(provision for) impairment losses on trade and other receivables	<b>7,621</b>	(356)
Consolidated profit before taxation	<b>845,079</b>	911,283

## 5 OTHER OPERATING (EXPENSES)/INCOME, NET

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Net realised and unrealised (loss)/gain on derivative financial instruments (note)	<b>(59,343)</b>	21,164
Others	<b>9,502</b>	(4,391)
	<b>(49,841)</b>	16,773

Note: Net realised and unrealised (loss)/gain on derivative financial instruments represented the net loss or gain from commodity futures contracts entered into by the Group during the period ended 30 June 2022 and 2021.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



## 6 PROFIT BEFORE TAXATION

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

### (a) Net finance costs

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Interest income	(14,193)	(13,419)
Finance income	(14,193)	(13,419)
Interest on discounted bills receivable	16,244	16,303
Interest on secured bank loans	13,312	16,435
Interest on other interest-bearing borrowings	12,268	13,853
Interest on lease liabilities	9,223	9,694
Total interest expense	51,047	56,285
Bank and other charges	6,878	8,483
Changes in fair value on warrants (note 18)	8,782	–
Foreign exchange loss, net	102,398	10,000
Finance costs	169,105	74,768
Net finance costs	154,912	61,349

### (b) Staff costs

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Salaries, wages, bonus and other benefits	447,771	298,554
Contributions to defined contribution retirement plan	5,911	5,105
	453,682	303,659

During the six months ended 30 June 2022, staff costs of the Group included accrued bonus of approximately HK\$110,568,000 (six months ended 30 June 2021: HK\$148,911,000) 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 Group. 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.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 6 PROFIT BEFORE TAXATION (CONTINUED)

### (c) Other items

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Amortisation and depreciation		
– property, plant and equipment	83,145	60,595
– right-of-use assets	36,348	46,184
– intangible assets	3,336	3,654
(Reversal of)/provision for impairment losses		
– trade and other receivables	4,972	5,378
– bills receivable	(12,593)	(5,022)
Impairment of non-current assets		
– right-of use assets	–	76,256
– interests in a joint venture	19,200	–
Cost of inventories		
– carrying amount of inventories sold	14,410,799	10,424,455
– write-down of inventories	295,212	(65,741)

## 7 INCOME TAX

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
<b>Current tax-Hong Kong Profits Tax</b>		
Provision for the period	30,652	3,152
<b>Current tax-Outside of Hong Kong</b>		
Provision for the period	159,289	115,748
Under/(over)-provision in respect of prior years	830	(1,723)
<b>Deferred Tax</b>		
Origination and reversal of temporary differences	(66,768)	6,880
	<b>124,003</b>	124,057

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% (2021: 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% (2021: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



## 7 INCOME TAX (CONTINUED)

According to Cai Shui [2020] No.31 Notice on Preferential Corporate Income Tax Policies for the Hainan Free Trade Port, certain subsidiaries of the Group are entitled to a preferential tax rate of 15% from 1 January 2021 to 31 December 2024.

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

## 8 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on profit attributable to equity shareholders of the Company of HK\$703,305,000 (six months ended 30 June 2021: HK\$777,526,000) and the weighted average number of ordinary shares of 2,856,725,000 (six months ended 30 June 2021: 3,025,143,000 shares) in issue during the six months ended 30 June 2022, calculated as follows:

Weighted average number of ordinary shares (basic):

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>'000</b>	<b>'000</b>
Issued ordinary shares at 1 January	<b>3,026,883</b>	3,026,883
Effect of purchase of own shares	<b>(258,214)</b>	–
Effect of shares held by the employee share trusts*	–	(1,740)
Shares issued for exercise of warrants	<b>88,056</b>	–
Weighted average number of ordinary shares (basic) as at 30 June	<b>2,856,725</b>	3,025,143

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

### (b) Diluted earnings per share

For the six months ended 30 June 2022, basic and diluted earnings per share was the same as the effect of the potential ordinary shares outstanding was anti-diluted. For the six months ended 30 June 2021, basic and diluted earnings per share was the same as there were no potentially dilutive ordinary shares in issue during the period.



# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 9 PROPERTY, PLANT AND EQUIPMENT, NET

### (a) Acquisitions and disposals

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with the amount of HK\$123,868,000 (six months ended 30 June 2021: HK\$206,541,000). On the other hand, items of property, plant and equipment with a net book value of HK\$14,440,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$3,539,000).

### (b) Transfer from construction in progress

During the six months ended 30 June 2022, construction in progress with a cost of HK\$18,635,000 (six months ended 30 June 2021: HK\$320,903,000) has been transferred into property, plant and equipment.

(c) As at 30 June 2022, property ownership certificates of certain properties of the Group with an aggregate net book value of HK\$43,054,000 (31 December 2021: HK\$46,220,000) are yet to be obtained.

(d) As at 30 June 2022, property, plant and equipment of the Group of HK\$299,148,000 (31 December 2021: HK\$282,003,000) have been pledged as collateral for the Group's borrowings (see note 20), bills payable (see note 17) and lease liabilities.

## 10 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the Group entered into a number of lease agreements for machinery and other equipment, and therefore recognised the additions to right-of-use assets of HK\$86,940,000 (six months ended 30 June 2021: HK\$76,933,000).

### Impairment loss

In 2021, the Group received notices from local authorities for the Group's land use rights of several parcels of lands located in Inner Mongolia with aggregate carrying value of approximately HK\$156,415,000 due to that these lands have not been developed and constructed on schedule. The Group is working diligently to prevent the abovementioned lands from being determined as idle land by the local authorities, including negotiating the feasibility of development plans with local authorities. Based on evaluation of the development and construction progress of these lands, latest communication with local authorities and legal advice from an independent legal counsel, the Group is of the view that it is more likely than not that two parcels of the abovementioned lands would be determined as idle lands and the corresponding land use rights would be confiscated by local authorities. As at 30 June 2022 and 31 December 2021, an impairment of HK\$55,685,000 was made by the Group, representing the carrying value of the land use rights for these two parcels of lands, net of the associated government grants received.

In addition, the management has determined that the recoverable amount of the land use right has been lower than its carrying amount for another land use right, with reference to the lands prices at which other similar assets transacted in similar areas on an arm's length basis. As at 30 June 2022 and 31 December 2021, an impairment of HK\$20,571,000 was made by the Group.

At 30 June 2022, land use rights of the Group of HK\$333,389,000 (31 December 2021: HK\$280,981,000) have been pledged as collateral for the Group's borrowings (see note 20), bills payable (see note 17) and lease liabilities.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



## 11 INTERESTS IN ASSOCIATES

The following list contains only the particulars of material associate, which is unlisted entity:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of paid-up capital	Proportion of ownership interest			Principal activity
				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

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

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

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Gross amounts of the associate		
Current assets	4,071,748	4,030,300
Non-current assets	6,191	7,444
Current liabilities	1,581,460	1,397,831
Non-current liabilities	1,105	–
Equity	2,495,374	2,639,913

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Revenue	3,703,288	3,023,530
Profit for the period	116,071	124,799
Other comprehensive income	(56,350)	29,308
Total comprehensive income	59,721	154,107
Dividend received from the associate	100,087	73,228

### Reconciled to the Group's interest in the associate

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Gross amounts of net assets of the associate	2,495,374	2,639,913
Group's effective interest	49%	49%
Group's share of net assets of the associate	1,222,733	1,293,557
Carrying amount in the condensed consolidated financial statements	1,222,733	1,293,557

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 11 INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of the associates that is not individually material:

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Aggregate carrying amount of the individually immaterial associates in the condensed consolidated financial statements	2,261	1,320
	<b>Six months ended 30 June</b>	
	2022 HK\$'000	2021 HK\$'000
Aggregate amounts of the Group's share of the associates' (Loss)/gain from continuing operations	(51)	47
Total comprehensive income	(51)	47

## 12 OTHER NON-CURRENT ASSETS

The balance at 30 June 2022 represented advance payments for equipment purchase and construction in progress.

## 13 INVENTORIES

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

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Coal	2,867,476	2,639,220
Others	57,957	101,875
Write down of inventories	(634,799)	(339,587)
	2,290,634	2,401,508

At 30 June 2022, inventories of the Group of HK\$557,567,000 (31 December 2021: HK\$nil) have been pledged as collateral for the Group's borrowings (see note 20) and bills payable (see note 17).

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

	<b>Six months ended 30 June</b>	
	2022 HK\$'000	2021 HK\$'000
Carrying amount of inventories sold	14,410,799	10,424,455
Write-down of inventories	295,212	(65,741)
	14,706,011	10,358,714

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



## 14 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 2022 HK\$'000	At 31 December 2021 HK\$'000
Within 3 months	2,831,216	2,615,987
3 to 6 months	398,655	465,478
6 to 12 months	302,921	67,204
Trade debtors and bills receivable, net of loss allowance	<b>3,532,792</b>	3,148,669
Other debtors (note i)	<b>700,376</b>	485,107
Financial assets measured at amortised cost	<b>4,233,168</b>	3,633,776
Deposits and prepayments	<b>1,011,141</b>	907,607
Other tax recoverable	<b>332,317</b>	306,884
Derivative financial instruments (note ii)	<b>89,012</b>	14,803
	<b>5,665,638</b>	4,863,070

Notes:

- (i) Among the other debtors, HK\$618,049,000 (31 December 2021: HK\$468,468,000) represented receivables due from Xianghui Energy arisen from procurement of coals as an agent of Xianghui Energy.
- (ii) As at 30 June 2022 and 31 December 2021, derivative financial instruments represented the fair value of commodity futures contracts entered into by the Group.

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

At 30 June 2022, bills receivable of the Group of HK\$971,616,000 (31 December 2021: HK\$282,244,000) have been pledged as collateral for the Group's bills payable (see note 17).

At 30 June 2022, bills receivable of the Group of HK\$11,693,000 (31 December 2021: HK\$64,098,000) have been pledged as collateral for the Group's borrowings (see note 20).

At 30 June 2022, bills receivable discounted at banks with recourse totalling HK\$305,572,000 (31 December 2021: HK\$863,014,000). These bills receivable were not derecognised as the Group remains exposed to the credit risk of these receivables.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 15 RESTRICTED BANK DEPOSITS

The Group has pledged bank deposits of HK\$900,709,000 (31 December 2021: HK\$573,277,000) as at 30 June 2022 as collateral for the Group's borrowings (see note 20) and banking facilities in respect of issuance of bills and letters of credit by the Group (see note 17).

## 16 CASH AND CASH EQUIVALENTS

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Cash at bank and on hand	<b>3,291,339</b>	3,259,393

At 30 June 2022, cash and cash equivalents of HK\$1,779,046,000 (31 December 2021: HK\$1,577,124,000) 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.

## 17 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 2022 HK\$'000	At 31 December 2021 HK\$'000
Within 3 months	<b>3,170,625</b>	2,176,436
More than 3 months but less than 6 months	<b>198,076</b>	68,069
More than 6 months but less than 1 year	<b>404,938</b>	470,221
More than 1 year	<b>11,352</b>	9,946
Total trade and bills payables	<b>3,784,991</b>	2,724,672
Prepayments from customers	<b>461,289</b>	482,860
Payables in connection with construction projects	<b>26,596</b>	56,165
Payables for purchase of equipment	<b>56,259</b>	127,143
Payables for staff related costs	<b>462,179</b>	1,020,349
Payables for other taxes	<b>146,758</b>	65,563
Dividends payable	<b>872,768</b>	199,171
Others	<b>55,401</b>	66,326
	<b>5,866,241</b>	4,742,249

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



## 17 TRADE AND OTHER PAYABLES (CONTINUED)

At 30 June 2022, bills payable amounting to HK\$1,944,788,000 (31 December 2021: HK\$653,086,000) have been secured by restricted bank deposits with an aggregate carrying value of HK\$789,625,000 (31 December 2021: HK\$377,012,000), bills receivable with an aggregate carrying value of HK\$971,616,000 (31 December 2021: HK\$282,244,000), and inventories with an aggregate carrying value of HK\$235,619,000 (31 December 2021: HK\$nil).

At 30 June 2022, bills payable amounting to HK\$246,291,000 (31 December 2021: HK\$183,225,000) together with bank loans amounting to HK\$186,454,000 (31 December 2021: HK\$218,271,000) have been secured by restricted bank deposits with an aggregate carrying value of HK\$76,005,000 (31 December 2021: HK\$91,613,000), property, plant and equipment with an aggregate carrying value of HK\$250,649,000 (31 December 2021: HK\$230,140,000), and land use rights with an aggregate carrying value of HK\$236,631,000 (31 December 2021: HK\$255,503,000).

## 18 WARRANTS

	<b>Warrants HK\$'000</b>
At 1 January 2021	–
Fair value adjustment	62,763
At 31 December 2021	62,763
At 1 January 2022	62,763
Fair value adjustment	8,782
Exercise of warrants	(71,545)
At 30 June 2022	–

On 14 September 2017, the Company issued 118,060,606 units of warrants to Lord Central Opportunity VII Limited with maturity date on 13 September 2022. The initial subscription price of the warrants was HK\$0.99 per share, and pursuant to the provision on adjustments to the prices set out in the relevant terms and conditions, the subscription price of warrants was adjusted to HK\$0.654. On 21 February 2022, all the outstanding warrants have been exercised at the subscription price for 118,060,606 ordinary shares of the Company.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 19 PROVISIONS

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Provision for compensation claim	294,270	292,421

As at 30 June 2022 and 31 December 2021, a provision of US\$37.50 million (approximately HK\$294,270,000) was made by the Group for a compensation claim from a supplier. It was related to the Group's unexecuted contracts for purchase of 146,360 tonnes of coking coal, for which the Group had issued notice of termination of execution to the supplier for the reason of product quality before goods acceptance, during the year ended 31 December 2021. As at 30 June 2022 and 31 December 2021, based on the available facts and circumstance in respect of the compensation claim that it is proceeding with arbitration procedures, taking into account the legal advice from its independent legal counsel, the Group based on its best estimate to provide for the amounts of the compensation claim.

## 20 SECURED BANK LOANS

(a) The secured bank loans comprise:

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Short-term loans and current portion of long-term loans	1,744,752	1,362,557
Long-term loans	6,092	5,103
	<b>1,750,844</b>	1,367,660

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

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Secured by accounts receivable and inventories	692,502	–
Secured by discounted bills receivable	303,660	863,014
Secured by restricted bank deposits, property, plant and equipment and right-of-use assets	186,454	218,270
Secured by bills receivable and restricted bank deposits	43,486	161,620
Credit guarantee	524,742	124,756
	<b>1,750,844</b>	1,367,660



# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 21 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

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

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Interim dividend declared and paid after the interim period of HK\$0.061 (2021: HK\$nil per share)	<b>174,943</b>	–
Special dividend declared and paid after the interim period of HK\$nil (2021: HK\$0.064 per share)	–	193,720

The interim and special dividend had not been recognised as a liability at the end of the reporting period.

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$0.302 per share (six months ended 30 June 2021: HK\$nil)	<b>865,561</b>	–



# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (b) Share capital

	At 30 June 2022 No. of shares '000		At 31 December 2021 No. of shares '000	
<b>Authorised:</b>				
Ordinary shares with no par value	6,000,000		6,000,000	
	2022		2021	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
<b>Ordinary shares, issued and fully paid:</b>				
Existing shares at 1 January	3,026,883	5,784,673	3,026,883	5,784,673
Purchase of own shares (note i)	(277,020)	(272,030)	–	–
Shares issued for exercise of warrants (note ii)	118,060	148,755	–	–
At 30 June 2022/31 December 2021	2,867,923	5,661,398	3,026,883	5,784,673

#### (i) Purchase of own shares

During the six months ended 30 June 2022, the Company cancelled in aggregate of 277,020,000 of its own shares from the open market (six months ended 30 June 2021: nil).

#### (ii) Shares issued for exercise of warrants

On 21 February 2022, all the outstanding warrants were exercised at the subscription price for 118,060,606 ordinary shares of the Company (see note 18).



# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (b) Share capital (continued)

#### (iii) 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 the 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 2022, the Company has repurchased on-market own shares in aggregate of nil shares (six months ended 30 June 2021: 19,123,000 shares) at a cash consideration of HK\$nil (six months ended 30 June 2021: HK\$7,598,000) under the RSU Scheme.

## 22 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)

## 22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Fair value at 30 June 2022 HK\$'000	Fair value measurements as at 30 June 2022 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurement</b>				
Assets:				
Derivative financial instruments:				
– Commodity futures contracts	89,012	89,012	–	–
Unlisted equity securities				
– Other investments in equity securities	95,738	–	–	95,738
<b>Recurring fair value measurement</b>				
Assets:				
Derivative financial instruments:				
– Commodity futures contracts	14,803	14,803	–	–
Unlisted equity securities				
– Other investments in equity securities	106,997	–	–	106,997
Liabilities:				
Derivative financial instruments:				
– Warrants	62,763	–	–	62,763

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



## 22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

During the six months ended 30 June 2022, there have been no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: HK\$nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Unlisted equity securities	Adjusted net assets method	Marketability discount	10% (2021: 10%)

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

	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Unlisted equity securities:		
At 1 January	106,997	106,164
Net unrealised losses recognised in other comprehensive income during the period	(4,886)	(2,164)
Exchange adjustments	(6,373)	1,209
At 30 June	95,738	105,209
Warrants:		
At 1 January	62,763	–
Changes in fair value recognised in profit or loss during the period	8,782	–
Exercise of warrants	(71,545)	–
At 30 June	–	–
Total gains or losses for the period included in profit or loss assets held at the end of the reporting period	8,782	–

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 warrants are presented in the "net finance costs" line item in the condensed consolidated statement of profit or loss.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 23 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Material related party transactions

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Sales of products to an associate and a joint venture	<b>1,358,263</b>	920,566
Rendering of integrated supply chain services and other services to an associate and a joint venture	<b>713,412</b>	314,722
Interest on other interest-bearing borrowings from an associate	<b>12,261</b>	13,853

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

### (b) Material related party balances

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

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Other interest-bearing borrowings from an associate*	<b>481,571</b>	648,289
Receivables due from an associate and a joint venture	<b>830,738</b>	822,717

\* Other interest-bearing borrowings represent loans from Xianghui Energy and repayable within 12 months, the interest of the borrowings is determined comprehensively with reference to the Loan Prime Rate (LPR).

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



## 24 COMMITMENTS

Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report:

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Authorised but not contracted for	297,109	326,922
Contracted for	120,234	244,600
	<b>417,343</b>	571,522

## 25 IMPACTS FROM COVID-19 PANDEMIC AND HEIGHTENED GEOPOLITICAL TENSIONS

The Covid-19 pandemic since early 2020 and the heightened geopolitical tensions arising from recent events continue to bring uncertainties to the Group's operating environment and may impact the Group's operations and financial position.

Despite of the gradual easing of the original Covid-19 pandemic in Mainland China, various travel restrictions and preventive measures are still in place to avoid wide-spread of the Covid-19 variants. In addition, the heightened geopolitical tensions arising from recent events across the globe bring additional uncertainties to world economies as these events developed. Accordingly, the Group continues to closely monitor these possible impacts on the Group's businesses and keep contingency measures in place and under review.



# 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 2022 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated 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 2022 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

24 August 2022