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

(formerly known as "WINSWAY ENTERPRISES HOLDINGS LIMITED 永暉實業控股股份有限公司")

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1733)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The board of directors (the "**Board**") of E-Commodities Holdings Limited (formerly known as "Winsway Enterprises Holdings Limited") (the "**Company**") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (together referred to as the "**Group**") for the six months ended 30 June 2017 together with comparative figures for the corresponding period ended 30 June 2016.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2017 was HK$10,556 million.
- Profit for the six months ended 30 June 2017 was HK$478 million.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2017 was HK$481 million.
- Basic and diluted earnings per share for the six months ended 30 June 2017 were HK$0.157.
- An interim dividend in cash of HK$0.038 per share has been declared for the six months ended 30 June 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2017 – unaudited
(Expressed in Hong Kong dollars)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2017** **\$'000**	At 31 December 2016 *\$'000*
Non-current assets			
Property, plant and equipment, net	*7*	**302,693**	212,210
Construction in progress		**3,108**	890
Lease prepayments		**497,885**	462,380
Intangible assets	*8*	**106,763**	4,354
Interest in an associate		**17,979**	16,142
Other investments in equity securities		**120,675**	117,134
Other non-current assets	*9*	**–**	–
Total non-current assets		**1,049,103**	813,110
Current assets			
Inventories	*10*	**721,415**	583,006
Trade and other receivables	*11*	**3,374,455**	1,609,483
Restricted bank deposits		**152,241**	63,889
Cash and cash equivalents	*12*	**409,628**	534,395
Total current assets		**4,657,739**	2,790,773
Current liabilities			
Secured bank and other loans	*14*	**2,086,347**	724,168
Trade and other payables	*13*	**1,021,042**	873,000
Obligations under finance leases		**3,242**	2,625
Income tax payable		**177,007**	128,972
Total current liabilities		**3,287,638**	1,728,765
Net current assets		**1,370,101**	1,062,008
Total assets less current liabilities		**2,419,204**	1,875,118

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 30 June 2017 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2017 $'000	At 31 December 2016 $'000
Non-current liabilities			
Secured bank and other loans	*14*	**103,653**	33,537
Deferred income		**134,939**	132,301
Obligations under finance leases		**4,326**	6,011
Total non-current liabilities		**242,918**	171,849
NET ASSETS		**2,176,286**	1,703,269
CAPITAL AND RESERVES			
Share capital	*16*	**5,849,015**	5,681,512
Reserves		**(3,535,946)**	(3,844,264)
Total equity attributable to equity shareholders of the Company		**2,313,069**	1,837,248
Non-controlling interests		**(136,783)**	(133,979)
TOTAL EQUITY		**2,176,286**	1,703,269

NOTES TO THE FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

E-Commodities Holdings Limited (formerly known as "**Winsway Enterprises Holdings Limited**") (the "**Company**") was incorporated in the British Virgin Islands ("**BVI**") on 17 September 2007 with limited liability under the Business Companies Act of the British Virgin Islands (2004). The Company changed the name to E-Commodities Holdings Limited with effect from 23 August 2016. The Company and its subsidiaries (together referred to as the "**Group**") are principally engaged in the processing and trading of coking coal and other products and the rendering of logistics services.

2 BASIS OF PREPARATION

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

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

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

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections were based on management's estimation of future cash inflows/outflows, including revenue from the processing and trading of coking coal and other products and the rendering of logistics services, gross margins, operating expenses, capital expenditure, finance costs, working capital requirements and the availability of borrowing facilities. The assumptions and estimations were based on the Group's business performance for the six months ended 30 June 2017 and management's expectations of developments in the coking coal market. In preparing the cash flow projections, management assumed that the recovery in the coking coal market since 2016 would continue and, on that basis, developed assumptions relating to future coal selling prices, fluctuations in future coal procurement prices and future sales volumes.

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

3 CHANGES IN ACCOUNTING POLICIES

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

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

4 REVENUE AND SEGMENT REPORTING

(i) Revenue

The Group is principally engaged in the processing and trading of coking coal and other products and the rendering of logistics services. Revenue represents the sales value of goods sold, net of value added tax and other sales taxes and is after any trade discounts, and revenue from rendering of logistics services. The amount of each significant category of revenue is as follows:

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

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

(ii) Segment reporting

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

- Processing and trading of coking coal and other products: this segment manages and operates coal processing plants and generates income from processing and trading of coking coal and other products to external customers.

- Logistics services: this segment constructs, manages and operates logistics parks and generates income from rendering of logistics services to external customers within the People's Republic of China ("**PRC**").

(a) Segment results, assets and liabilities

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

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of coal products and logistics services, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including reversal of impairment of non-current assets and reversal of provision/provision for impairment losses on trade and other receivables.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2017 is set out below.

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

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

For the six months ended 30 June

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

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

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

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

The provision for PRC current income tax is based on a statutory rate of 25% (2016: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

6 EARNINGS PER SHARE

(a) Basic earnings per share

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

Weighted average number of ordinary shares (basic):

	Six months ended 30 June	
	2017	2016
	'000	*'000*
Issued ordinary shares at 1 January	**3,018,559**	3,773,199
Effect of purchase of own shares *(note 16(b)(i))*	**(18,408)**	–
Effect of shares issued for exclusive service agreement *(note 8)*	**70,405**	–
Effect of shares issued for settlement of CVRs *(note 15)*	**21,968**	–
Effect of shares held by the employee share trusts*	**(35,139)**	(635)
Share consolidation	**–**	(3,584,539)
Effect of shares issued under rights issue (including issuance of anti-dilution shares)	**–**	199,026
Effect of bonus element on shares issued under rights issue	**–**	427,964
Effect of scheme shares issued under debt restructuring	**–**	24,878
Weighted average number of ordinary shares (basic) as at 30 June	**3,057,385**	839,893

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

(b) Diluted earnings per share

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

7 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Acquisitions and disposals

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

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

(c) As at 30 June 2017, property, plant and equipment of the Group of $103,933,000 (31 December 2016: $113,035,000) have been pledged as collateral for the Group's borrowings and bills payable (see note 13).

8 INTANGIBLE ASSETS

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

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

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

9 OTHER NON-CURRENT ASSETS

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

In 2009, the Company agreed to provide a loan to Moveday Enterprises Limited ("**Moveday**") to purchase additional vehicles to meet with the increasing volume of coal procured by the Group in Mongolia, and Moveday agreed to use the trucks purchased through financing provided by the Company for the provision of transportation services to the Group during the term of the agreement. Pursuant to a loan agreement entered into on 10 April 2010 (as subsequently amended by a supplemental deed on 15 September 2010) and the strategic alliance agreement, the Company agreed to lend Moveday up to United States dollars ("**US$**") 40 million solely for the purpose of purchasing vehicles for transporting coal purchased by the Group in Mongolia. The loan to Moveday was provided on an unsecured basis, at an interest rate of LIBOR plus 3% and repayable over five years in equal annual installments of US$8 million, commencing from 18 months after the receipt of the loan (being 31 December 2012) by Moveday, with interest payable semi-annually in arrears. The entire loan amount was fully drawn down in 2010. As Moveday is a third party and the loan to Moveday was an unsecured loan, the Group did not have an interest in or control over the cash flows or other assets of Moveday other than in accordance with the terms of the loan agreement (as amended).

In 2013, the Group entered into another supplemental agreement with Moveday to modify the repayment terms of the remaining outstanding principal of US$32 million. Pursuant to the supplemental agreement, the remaining outstanding principal was repayable on 31 December from 2013 to 2015 with an amount of US$4 million plus a floating repayment amount. The floating repayment amount was calculated based on the volume of coals transported (maximum of 12 million tonnes) by Moveday for the Group and up to US$6 million during each year. Apart from the repayment terms, all the other terms of the loan were not changed and Moveday was obliged to repay the entire outstanding principal on or before 31 December 2016.

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

For the year ended 31 December 2015, the Group made an impairment provision of $120,189,000 against the remaining outstanding loan balance as at 31 December 2015 based on the communication with management of Moveday about the adverse financial and operating circumstances of Moveday in 2015.

On 30 April 2016, the transportation agreement entered into by the Group and Moveday expired and the Group determined not to renew such agreement and engaged another third party company to provide such transportation services to the Group (the third party company may use Moveday as sub-contractor for transportation at its discretion).

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

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

10 INVENTORIES

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

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

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

11 TRADE AND OTHER RECEIVABLES

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

* *As at 30 June 2017 and 31 December 2016, derivative financial instruments represented the fair value of commodity futures contracts entered into by the Group.*

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

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

At 30 June 2017, trade and bills receivables of the Group of $26,015,000 (31 December 2016: $nil) have been pledged as collateral for the Group's bills payable (see note 13).

At 30 June 2017, trade and bills receivables of the Group of $1,561,423,000 (31 December 2016: $176,721,000) have been pledged as collateral for the Group's borrowings (see note 14).

(a) Ageing analysis

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

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

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

Impairment losses in respect of trade receivables, bills receivable and receivables from agents are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables, bills receivable and receivables from agents.

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

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

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

The reversal of impairment loss represented trade receivables impaired in prior years for which the amounts have been recovered by the Group during the six months ended 30 June 2017 and 2016.

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

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

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

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

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

(d) Impairment of other receivables

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

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

As at 30 June 2017, included in the impairment loss are impaired value added tax ("**VAT**") recoverable of $26,071,000 (31 December 2016: $25,306,000) that have been accumulated to date in certain subsidiaries of the Group which can be deductible from VAT on future sales made. The directors of the Company are of the opinion that the recoverability of such amount after commercial production is remote.

The reversal of impairment loss during the six months ended 30 June 2016 represented the amount of VAT recoverable, impaired in the prior year which has been utilised by the Group during the six months ended 30 June 2016.

12 CASH AND CASH EQUIVALENT

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

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

13 TRADE AND OTHER PAYABLES

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

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

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

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

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

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

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

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

14 SECURED BANK AND OTHER LOANS

(a) The secured bank and other loans comprise:

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

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

Note: During the six months ended 30 June 2017, the Group entered into several financing arrangements with a third party company in the form of sale and buyback arrangements. Pursuant to these arrangements, during the six months ended 30 June 2017, certain subsidiaries of the Group entered into transactions with that third party company to sell coking coal at an average price of approximately $1,402/tonne (six months ended 30 June 2016: $573/tonne) with a total amount of $239,770,000 (six months ended 30 June 2016: $157,678,000) to that third party company with transfer of rights of coking coal inventories of 171,009 tonnes (six months ended 30 June 2016: 275,000 tonnes) thereto.

At the same time, other subsidiaries of the Group entered into transactions with the same third party company to purchase the same quantity of coking coal at an average price of approximately $1,436/tonne (six months ended 30 June 2016: $592/tonne) with a total amount of $245,579,000 (six months ended 30 June 2016: $162,879,000) from that third party company with a term of 90-120 days (six months ended 30 June 2016: 45 days) to be settled afterwards and the rights to the corresponding coking coal inventories were transferred back to the Group upon settlement.

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

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

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

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

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

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

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

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

15 SENIOR NOTES

On 8 April 2011, the Company issued senior notes in the aggregate principal amount of US$500,000,000 ("**Senior Notes**") and listed on the Singapore Exchange Securities Trading Limited. The Senior Notes bear interest at 8.50% per annum, payable semi-annually in arrears. During the year ended 31 December 2012 and 2013, the Group repurchased Senior Notes in an aggregate principal amount of US$190,690,000 in the open market. The outstanding Senior Notes with principal amount of US$309,310,000 matured on 8 April 2016.

During the year ended 31 December 2015, the Group did not make the scheduled interest payments of US$13.15 million in relation to the Senior Notes which fell due on each of 8 April 2015 and 8 October 2015, respectively ("**Interest Payment**"). The Group had defaulted on outstanding Senior Notes amounting to US$309,310,000 as at 31 December 2015 after the 30-day grace period expired on 8 May 2015 for making the Interest Payment under the terms of the indenture, as amended and supplemented.

On 25 November 2015, the Company, certain of its subsidiaries and certain of the holders of the Senior Notes ("**Bondholders**") entered into a restructuring support agreement ("**Restructuring Support Agreement**"), pursuant to which such Bondholders agreed to support the proposed restructuring of the outstanding Senior Notes ("**Debt Restructuring**") to be implemented through schemes of arrangement under section 179A of the Business Companies Act of the British Virgin Islands (2004) ("**BVI Scheme**") and sections 673 and 674 of the Companies Ordinance (Cap. 622) (as amended) as applicable in Hong Kong ("**Hong Kong Scheme**") (collectively "**Schemes**").

The Debt Restructuring consisted of a redemption of the outstanding Senior Notes and Interest Payments and all accrued, scheduled interest payments up to the date of the settlement at a discount, with Bondholders accepting a combination of (i) cash consideration of US$50 million minus a consent fee in a total amount equal to 2% of the outstanding principal and accrued but unpaid interest in respect of the Senior Notes as at the date of the Restructuring Support Agreement ("**Consent Fee**"), and a success fee payable to Houlihan Lokey (China) Limited ("**Houlihan Lokey**") which was appointed to act as the financial advisor to the Bondholders ("**Cash Consideration**"); (ii) new ordinary shares of the Company allotted and issued to the Bondholders representing not less than 18.75% of the total issued shares on a fully diluted basis upon completion of the Debt Restructuring ("**Scheme Shares**"); and (iii) contingent value rights ("**CVRs**") which would give rise to a one-off payment of US$10 million to the Bondholders upon the occurrence of a triggering event that is the Company's adjusted profit before taxation in any of the 5 years from the issue date of the CVRs exceeding US$100 million ("**Triggering Event**").

The Cash Consideration as well as the Consent Fee and the success fee of Houlihan Lokey was funded by the proceeds of a rights issue ("**Rights Issue**") (see note 16 (b)(iii)).

On 23 June 2016, all Scheme Conditions (as defined in the prospectus published by the Company on 31 May 2016 ("**Prospectus**")) were satisfied and the Debt Restructuring became effective.

As disclosed in note 16(b)(iii), on 28 June 2016, a total number of 322,706,001 Initial Scheme Shares (as defined in note 16(b)(iii)) were allotted and issued to the Initial Bondholders (as defined in note 16(b)(iii)) and the remaining 243,273,777 Scheme Shares were allotted and issued to the Participating Bondholders (as defined in note 16(b)(iii)) on 7 October 2016 ("**Final Distribution Date**").

At the Debt Restructuring effective date on 23 June 2016, the carrying value of the Senior Notes including accrued interest amounted to approximately $2,719,877,000. The fair value of the consideration to settle the Senior Notes was cash consideration of US$50 million (equivalent to approximately $388,194,000), the fair value of 565,979,778 Scheme Shares of approximately $305,629,000 based on the closing price of the Company's shares as traded in The Stock Exchange of Hong Kong Limited on 23 June 2016 of $0.54 per share, and the fair value of the CVRs of US$10 million (equivalent to approximately $77,603,000) based on its notional value, given that the Triggering Event occurred during the year ended 31 December 2016. The excess of carrying value of the Senior Notes over the fair value of the consideration to settle the Senior Notes, amounting to approximately $1,948,451,000, was recognised by the Group as a gain on Debt Restructuring of Senior Notes and credited to profit or loss for the year ended 31 December 2016.

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

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

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

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

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

(b) Share capital

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

	2017 No. of shares *'000*	**2017** *$'000*	2016 No. of shares *'000*	2016 *$'000*
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	**3,018,559**	**5,681,512**	3,773,199	4,992,337
Purchase of own shares *(note i)*	**(18,408)**	**(15,390)**	–	–
Shares issued for exclusive services agreement *(note 8)*	**93,017**	**105,108**	–	–
Shares issued for settlement of CVRs *(note ii)*	**64,131**	**77,785**	–	–
Share consolidation	**–**	**–**	(3,584,539)	–
Rights Shares issued under rights issue *(note iii)*	**–**	**–**	565,980	383,546
Anti-dilution Shares issued under rights issue *(note iii)*	**–**	**–**	1,697,939	–
Scheme Shares issued under Debt Restructuring *(note iv)*	**–**	**–**	565,980	305,629
At 30 June 2017/31 December 2016	**3,157,299**	**5,849,015**	3,018,559	5,681,512

(i) Cancellation of repurchased shares

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

(ii) Shares issued for settlement of CVRs

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

(iii) Shares issued under rights issue

As disclosed in note 15, the Cash Consideration as well as the Consent Fee and the success fee of Houlihan Lokey were funded by the proceeds of the Right Issue which was on the basis of three rights shares (“**Rights Shares**”) for each Consolidated Share held on the record date at the subscription price of $0.69 per rights share. As a mechanism to counter the dilutive effect of the issue of the Scheme Shares under the Debt Restructuring, three anti-dilution shares were issued for no further consideration for each Rights Share subscribed (“**Anti-dilution Shares**”).

As stated in the Prospectus as updated by the supplemented announcement dated 24 August 2016, the Scheme Shares would be distributed on two separate dates under the terms of the Schemes:

(a) on 28 June 2016 (“**Initial Distribution Date**”), a proportion of the Scheme Shares would be distributed among all Bondholders that have submitted a claim in the Schemes by the initial scheme consideration deadline on 17 May 2016 (the “**Initial Bondholders**”); and

(b) on 7 October 2016 (“**Final Distribution Date**”), the remainder of the Scheme Shares would be distributed among those Bondholders that have submitted a claim in the Schemes by 23 September 2016 (including the Initial Bondholders) (the “**Participating Bondholders**”).

The Anti-dilution Shares to be issued and allotted on the Initial Distribution Date (“**Initial Anti-dilution Shares**”) would be allotted and issued in the same proportion to the total Anti-dilution Shares as the Scheme Shares to be issued and allotted on the Initial Distribution Date (“**Initial Scheme Shares**”) bear to the total number of Scheme Shares.

On 28 June 2016, a total number of 565,979,778 Rights Shares were allotted and issued at the subscription price of $0.69 per Rights Share for net proceeds of $383,546,000 which were credited to share capital account, and a total number of 322,706,001 Initial Scheme Shares were allotted and issued to the Initial Bondholders in accordance with the terms of the Schemes on the Initial Distribution Date. Accordingly, a total number of 968,114,195 Anti-dilution Shares were allotted and issued for distribution on the Initial Distribution Date to qualifying shareholders allotted and issued Rights Shares.

On 7 October 2016, the remaining 243,273,777 Scheme Shares and 729,825,139 Anti-dilution Shares were allotted and issued to the Participating Bondholders.

(iv) ***Scheme Shares issued under Debt Restructuring***

As disclosed in note (iii), during the year ended 31 December 2016, a total number of 565,979,778 Scheme Shares were allotted and issued to the Participating Bondholders in accordance with the terms of the Schemes. The fair value of these Scheme Shares of $305,629,000 has been credited to share capital account (see note 15).

(v) ***Employee Share Trust***

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

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

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

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

EXTRACT OF REVIEW REPORT

The below sections set out an extract of the report by KPMG, the auditor of the Company, regarding the interim financial report of the Group for the six months ended 30 June 2017.

Basis for Qualified Conclusion

As disclosed in note 12 to the interim financial report, as at 30 June 2017, the Group had an outstanding loan due from Moveday Enterprises Limited ("**Moveday**") of US$13.55 million (equivalent to approximately $105,845,000) (31 December 2016: US$15.50 million (equivalent to approximately $120,260,000)) after recovery of loan principal of US$1.95 million (equivalent to approximately $15,138,000) during the six months ended 30 June 2017. As at 30 June 2017, the Group continues to make an impairment provision of $105,845,000 (31 December 2016: $120,260,000) taking into account the existence of uncertainties relating to the future financial and operating circumstances of Moveday, but not the possibility of any further recovery that may be achieved in future through re-negotiation of the terms of the loan or alternative forms of settlement in kind. We qualified our auditor's report dated 28 March 2017 on the Group's financial statements for the year ended 31 December 2016 in respect of a limitation in the scope of our audit relating to this impairment loss provision, as we were unable to obtain sufficient appropriate audit evidence to evaluate the reasonableness of the assumptions adopted by the directors of the Company in estimating the expected timing and amounts of future cash flows arising from the loan. Given the inherent limitations in the scope of our review, which is by definition substantially less than an audit, and that this matter has not been resolved, we continue to be unable to reach a conclusion as to whether the directors' judgement in this matter is appropriate and therefore whether the amount of this impairment provision is, or is not, in accordance with the applicable accounting framework.

Any decrease in the impairment losses recognised against the loan balance due from Moveday would affect the net assets of the Group as at 30 June 2017 and could also affect the Group's profit for the six months then ended, the opening balance of accumulated losses as at 1 January 2017, net assets as at 31 December 2016, and the related disclosures in the interim financial report.

Qualified Conclusion

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

INTERIM DIVIDEND AND CLOSE OF REGISTER OF MEMBERS

On 22 August 2017, the Board declared an interim dividend of HK$0.038 per Share for the six months ended 30 June 2017, payable to shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 17 October 2017. For the purpose of determining the identity of members who are entitled to the interim dividend the register of members of the Company will be closed from Friday, 13 October 2017 to Tuesday, 17 October 2017 (both days inclusive) during which period no transfer of Shares will be effected. The interim dividend is expected to be paid on or about 31 October 2017. The Shares will be traded ex-dividend on 11 October 2017.

In order to determine the identity of the shareholders of the Company entitled to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 12 October 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL HIGHLIGHTS

In the first half of 2017, the Group recorded consolidated revenue of HK$10,556 million, which was mainly derived from 8.15 million tonnes of coal sales. In the corresponding period of 2016, consolidated revenue of HK$4,703 million was recorded which was mainly derived from 7.14 million tonnes of coal sales.

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

Overall, the Group incurred a consolidated net profit of HK$478 million during the first half of 2017 compared to an adjusted net profit of HK$115 million during the first half of 2016. If considering the financial impact from the gain on Debt Restructuring, professional expenses incurred for the Debt Restructuring as well as the interest payment in connection with the Senior Notes, the net profit generated from operational activities for first half of 2016 was HK$2,000 million (as defined below). The increase of net profit generated from operational activities was mainly because of improved profitability per tonne of coking coal in the first half of 2017 driven by the recovering coking coal market and better balanced relationship between demand and supply.

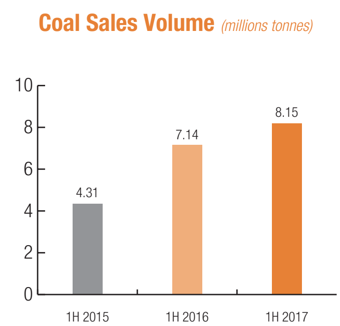
		Amount *(HK$'million)*
First half of 2016 net profit:		2,000
Excluding:	Gain on debt restructuring	(2,027)
	Professional expenses	65
	Bond interest	77
Adjusted first half of 2016 net profit		115

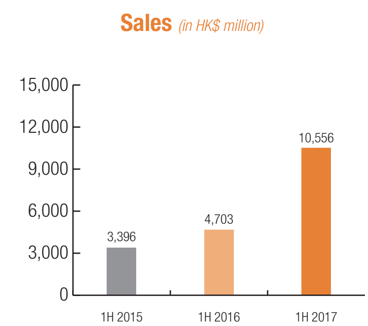
II. FINANCIAL REVIEW

a. Sales

(1) Overview

In the first half of 2017, our sales revenue was HK$10,556 million, a 124.45% increase compared to HK$4,703 million in the same period of 2016. The increase is primarily attributable to continued supply-side policy reform since 2016 addressing over-capacity in production of coal which stabilized and even increased the price of coking coal and thermal coal. The structured reform in the steel industry leaded to the prices increase of steel products, which drove prices of coking coal to a relatively high level. An overall improvement in the coal market since the second half of 2016, together with the supply-side policy reform, has resulted in a move from oversupply to greater balance between supply and demand.





(2) Revenue

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

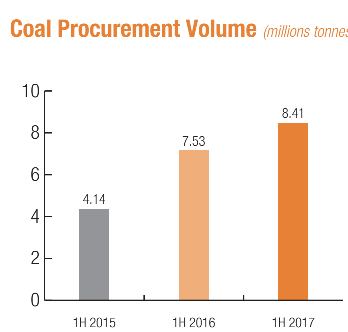
In the first half of 2017, approximately 90.07% of sales revenue was generated from the sales of coking coal, compared to approximately 88.26% in the first half of 2016.

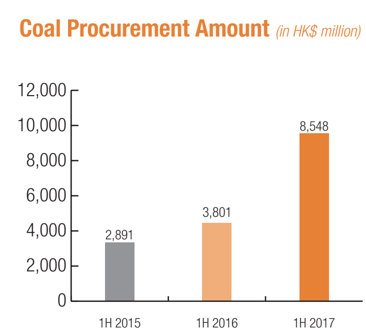
In the first half of 2017, the Group has continued its business strategy since 2015 to diversify its trading categories and expand its product lines from coking coal and coal related products to petrochemical products, steel, iron ore, and others.

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

b. Cost of Goods Sold ("COGS")

COGS primarily consists of the purchase price, transportation costs of Mongolian coal from the Sino-Mongolian border to our washing plants and washing-related costs. COGS in the first half of 2017 was HK$9,549 million, which was a 115.26% increase compared to HK$4,436 million in the first half of 2016. The increase was primarily attributable to increased procurement volume of coal in the first half of 2017 of 8.41 million tonnes from 7.53 million tonnes in the first half of 2016 and sharply increased procurement price of coal starting from the second half of 2016 till the first half of 2017. Most coal of the Group was procured from other countries, of which, the majority was from Australia and Mongolia.





In the first half of 2017, total procurement amount of coal was HK$8,548 million, of which, the top five coal suppliers accounted for 40.72%. These suppliers are mainly internationally large-scale coking coal suppliers with sound reputation and are leading companies in the industry. No company directors or their affiliates or company shareholders with over 5% shares (5% inclusive) has any interest in any of such suppliers to the Company.

c. Gross Profit

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

d. Distribution Expenses

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

e. Administrative Expenses

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

f. Net Finance Costs

During the first half of 2017, net finance costs decreased to HK$72 million, compared to HK$116 million of net finance costs during the same period of 2016. The decrease was mainly contributed by the elimination of interest on Senior Notes after the success of the Debt Restructuring.

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

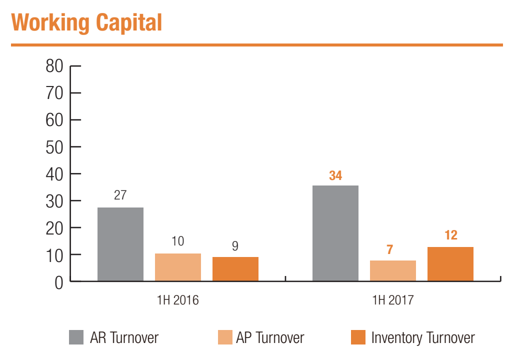
g. Net Profit and Profit per Share

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

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

h. Working Capital

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



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

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

j. Intangible Assets

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

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

k. Contingent Value Rights

Under the Debt Restructuring, certain CVRs were issued to the Bondholders on 28 June 2016 and 7 October 2016, which would give rise to a one-off payment in the amount of US$10 million to the Bondholders upon the occurrence of the Triggering Event according to the terms and conditions of the CVRs. The maturity date of the CVRs is the date falling 5 years from the date of the issue of the CVRs (the "**CVR Maturity Date**"). The Company shall have the right to choose to use cash or CVR Shares (as defined in the Prospectus) (at the prevailing 30-day volume-weighted average price prior to the settlement date, the "**CVR Settlement Price**") to settle the CVRs on the settlement date as provided in the relevant instruments for the CVRs. In any event, the Company will be able to settle the CVRs wholly in cash should it chooses to do so and if the relevant CVR Settlement Price is lower than HK$0.69, being the subscription price of the CVRs, subject to adjustment for share consolidations, sub-divisions and so forth.

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

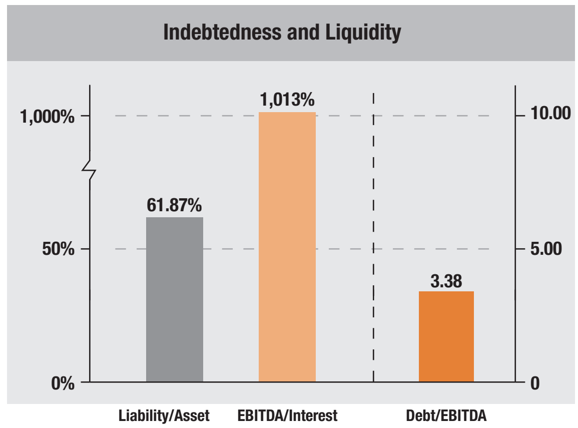
On 30 April 2017, the Company issued 64,131,037 CVR Shares and distributed them to the Participating Bondholders at the CVR Settlement Price of HK$1.2129 per CVR Share. All CVRs which were settled in full by the Company were cancelled and such CVRs may not be reissued or resold.

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

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

l. Indebtedness and Liquidity

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



m. Pledge of Assets

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

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

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

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

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

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

n. Cash Flow

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

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

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

III. RISK FACTORS

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

1. Volatility of Coal Prices

The market price of coal is volatile and is affected by numerous factors that are beyond our control. These include international supply and demand, the level of consumer product demand, international economic trends, global or regional political events and international events, as well as a range of other market forces. Upward movements in coal market prices since the second half of 2016 have materially affected the Group's business. The combined effects of any or all of these factors on coal prices are impossible for us to predict, and there can be no assurance that global and domestic coal prices will continue to remain at a profitable level. Failure of our business to remain at a profitable level would have material and adverse effect on our financial condition.

2. Dependence Upon the Steel Industry

Our business and prospects are heavily dependent on the demand for coking coal by steel mills and coke plants in China. The steel industry's demand for metallurgical coal is affected by a number of factors including the cyclical nature of that industry's business, technological developments in the steel-making process and the availability of substitutes for steel such as aluminum, composites and plastics. Since the end of 2015, prices of steel products increased continuously, which had a material positive effect on the Group's performance.

3. Credit risk

Credit risks are primarily attributable to cash at bank, trade and other receivables and over-the-counter derivative financial instruments entered into for hedging purposes. The Group has a credit policy in place and the exposure to these credit risks is monitored on an ongoing basis.

4. Exposure to Exchange Rate Fluctuations

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

IV. HUMAN RESOURCES

Employee Overview

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

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

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

Employee Education Overview

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

Training Overview

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

Training Overview

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

V. HEALTH, SAFETY AND ENVIRONMENT

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

In the second half of 2017, some idled plants have been rebooted and others' productivity increased. In view of this, the Company strengthened the investment in safety management and established a safety inspection and management mechanism in Mongolia Business Department. A top-down inspection was conducted focusing on the improvement of safety consciousness and the elimination of safety hidden trouble regarding the safety control of coal washing plants.

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

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

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

VII. INTERIM DIVIDEND

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

VIII. SIGNIFICANT EVENTS AFFECTING THE GROUP AFTER 30 JUNE 2017

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

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

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

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

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

IX. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2017, the Company complied with the code provisions ("**Code Provisions**") under the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "**CG Code**"). The Company fully complied with all the Code Provisions throughout the six months ended 30 June 2017.

X. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each Director has confirmed that he/she has complied with the required standards set out in the Model Code throughout the first half of 2017.

XI. REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2017.

XII. DISCLOSURE OF INFORMATION ON THE HONG KONG STOCK EXCHANGE'S WEBSITE

This interim results announcement is published on the websites of the Company (www.e-comm.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2017 will be dispatched to shareholders of the Company and will be available on the above websites in due course.

By Order of the Board
E-Commodities Holdings Limited
Cao Xinyi
Chairman

Hong Kong, 22 August 2017

As at the date of this announcement, the executive Directors of the Company are Ms. Cao Xinyi, Mr. Wang Wengang, Ms. Zhu Hongchan and Mr. Wang Yaxu, the non-executive Director of the Company is Mr. Guo Lisheng and the independent non-executive Directors of the Company are Mr. Ng Yuk Keung, Mr. Wang Wenfu and Mr. Gao Zhikai.