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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

1. Revenue of the Group from operations in 2017 was HK$20,878 million, a 54.63% increase over revenue in 2016 of HK$13,502 million.

2. Profit in 2017 was HK$904 million, compared to the profit of HK$2,872 million in 2016, which included a gain on debt restructuring of HK$1,948 million. Excluding the gain on debt restructuring, profit in 2016 was HK$924 million.

3. Profit attributable to equity shareholders of the Company in 2017 was HK$905 million.

4. Basic earnings per share was HK$0.293 in 2017, compared to basic earnings per share of HK$1.488 in 2016.

5. Diluted earnings per share was HK$0.285 in 2017, compared to diluted earnings per share of HK$1.488 in 2016.

6. A final dividend in cash of HK$0.034 per share, totalling approximately HK$106 million, has been declared for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	**2017**	2016
		$'000	*$'000*
Revenue	*4*	**20,877,959**	13,501,746
Cost of sales		**(19,056,550)**	(11,629,480)
Gross profit		**1,821,409**	1,872,266
Other revenue	*5*	**5,126**	21,413
Distribution costs		**(295,504)**	(192,789)
Administrative expenses		**(377,546)**	(524,785)
Other operating expenses, net	*6*	**(236)**	(14,586)
Reversal of impairment of non-current assets	*7(c)*	**8,905**	4,248
Profit from operations		**1,162,154**	1,165,767
Finance income		**6,697**	8,093
Finance costs		**(155,793)**	(156,467)
Net finance costs	*7(a)*	**(149,096)**	(148,374)
Gain on debt restructuring		**–**	1,948,451
Share of (loss)/profit of an associate		**(275)**	896
Profit before taxation		**1,012,783**	2,966,740
Income tax	*8*	**(108,737)**	(94,425)
Profit for the year		**904,046**	2,872,315
Profit attributable to:			
Equity shareholders of the Company		**904,742**	2,873,605
Non-controlling interests		**(696)**	(1,290)
Profit for the year		**904,046**	2,872,315
Earnings per share	*9*		
Basic *(HK$)*		**0.293**	1.488
Diluted *(HK$)*		**0.285**	1.488

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	2017	2016
	$'000	*$'000*
Profit for the year	**904,046**	2,872,315
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**152,760**	(101,705)
Total comprehensive income for the year	**1,056,806**	2,770,610
Total comprehensive income attributable to:		
Equity shareholders of the Company	**1,053,356**	2,772,222
Non-controlling interests	**3,450**	(1,612)
Total comprehensive income for the year	**1,056,806**	2,770,610

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

(Expressed in Hong Kong dollars)

	Note	At 31 December 2017 $'000	At 31 December 2016 $'000
Non-current assets			
Property, plant and equipment, net		**340,465**	212,210
Construction in progress		**8,350**	890
Lease prepayments	*10*	**476,791**	462,380
Intangible assets	*11*	**104,953**	4,354
Interest in an associate		**17,019**	16,142
Other investments in equity securities		**125,348**	117,134
Other non-current assets	*12*	**–**	–
Receivables under finance leases		**3,828**	–
Total non-current assets		**1,076,754**	813,110
Current assets			
Inventories		**621,352**	583,006
Trade and other receivables	*13*	**3,386,636**	1,609,483
Receivables under finance leases		**1,914**	–
Restricted bank deposits		**601,335**	63,889
Cash and cash equivalents		**550,615**	534,395
Total current assets		**5,161,852**	2,790,773
Current liabilities			
Secured bank and other loans		**2,146,288**	724,168
Trade and other payables	*15*	**1,012,755**	873,000
Obligations under finance leases		**4,233**	2,625
Income tax payable	*16(a)*	**137,990**	128,972
Total current liabilities		**3,301,266**	1,728,765
Net current assets		**1,860,586**	1,062,008
Total assets less current liabilities		**2,937,340**	1,875,118

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2017

(Expressed in Hong Kong dollars)

	Note	At 31 December 2017 $'000	At 31 December 2016 $'000
Non-current liabilities			
Secured bank and other loans		**–**	33,537
Convertible bonds payables	*14*	**226,122**	–
Deferred income		**138,826**	132,301
Obligations under finance leases		**4,064**	6,011
Total non-current liabilities		**369,012**	171,849
NET ASSETS		**2,568,328**	1,703,269
CAPITAL AND RESERVES			
Share capital	*17(b)*	**5,849,015**	5,681,512
Reserves		**(3,172,463)**	(3,844,264)
Total equity attributable to equity shareholders of the Company		**2,676,552**	1,837,248
Non-controlling interests		**(108,224)**	(133,979)
TOTAL EQUITY		**2,568,328**	1,703,269

NOTES TO THE FINANCIAL STATEMENTS

(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 has 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 coal and other products and providing logistics services throughout the commodity supply chain.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in an associate.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections were based on management's estimation of future cash inflows/outflows, including revenue from the processing and trading of coal and other products and the rendering of logistics services, gross margins, operating expenses, capital expenditure, finance costs, working capital requirements and the availability of borrowing facilities. The assumptions and estimations were based on the Group's business performance for the year ended 31 December 2017, management's expectations of developments in the coal market. In preparing the cash flow projections, management assumed that the recovery in the coal market during the year ended 31 December 2017 would continue and, on that basis, developed assumptions relating to future coal selling prices, fluctuations in future coal procurement prices and future sales volumes.

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

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 have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

(a) Revenue

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

	2017	2016
	$'000	*$'000*
Coal	**19,428,312**	12,346,494
Petrochemical products	**846,104**	954,378
Iron ore	**273,578**	11,042
Nonferrous metals	**226,160**	–
Rendering of logistics services	**94,344**	92,093
Steel	**–**	91,311
Others	**9,461**	6,428
	20,877,959	13,501,746

Among the Group's revenue from the trading of coal and other products, $5,842,028,000 (2016: $6,971,869,000) was traded under framework contracts signed with certain third party companies pursuant to which those third party companies act as agents of the Group to sign sale and purchase contracts with customers and suppliers whilst the Group is responsible for identifying customers and suppliers and negotiating and determining the price, quantity of the commodities and transportation and payment terms with customers and suppliers, respectively (the "**Framework Contracts**").

The Group's customer base is diversified and includes two customers (2016: one) with whom transactions have exceeded 10% of the Group revenues.

(b) Segment reporting

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

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

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

(i) Segment results, assets and liabilities

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

Segment assets include all tangible assets, intangible assets and current assets with the exception of interests in 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 years ended 31 December 2017 and 2016 is set out below.

	Processing and trading of coal and other products		Logistics services		Total	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**20,783,615**	13,409,653	**94,344**	92,093	**20,877,959**	13,501,746
Inter-segment revenue	**–**	–	**15,323**	38,442	**15,323**	38,442
Reportable segment revenue	**20,783,615**	13,409,653	**109,667**	130,535	**20,893,282**	13,540,188
Reportable segment profit (adjusted EBITDA)	**1,110,512**	1,148,014	**8,375**	12,777	**1,118,887**	1,160,791
Interest income	**3,177**	8,007	**98**	86	**3,275**	8,093
Interest expense	**(130,629)**	(132,324)	**(9,572)**	(11,397)	**(140,201)**	(143,721)
Depreciation and amortisation	**(43,913)**	(35,374)	**(2,559)**	(2,332)	**(46,472)**	(37,706)
Reversal of impairment of non-current assets	**8,905**	4,248	**–**	–	**8,905**	4,248
Reversal of provision/(Provision) for impairment losses on trade and other receivables	**78,685**	40,951	**2,149**	(2,517)	**80,834**	38,434
Share of (loss)/profit of an associate	**–**	–	**(275)**	896	**(275)**	896
Reportable segment assets	**6,418,472**	3,939,153	**126,453**	111,706	**6,544,925**	4,050,859
Additions to non-current segment assets during the year	**279,584**	44,290	**1,415**	572	**280,999**	44,862
Reportable segment liabilities	**3,475,809**	1,768,723	**379,817**	466,037	**3,855,626**	2,234,760

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

	2017	2016
	$'000	*$'000*
Revenue		
Reportable segment revenue	**20,893,282**	13,540,188
Elimination of inter-segment revenue	**(15,323)**	(38,442)
Consolidated revenue	**20,877,959**	13,501,746
Profit		
Reportable segment profit	**1,118,887**	1,160,791
Depreciation and amortisation	**(46,472)**	(37,706)
Reversal of impairment of non-current assets	**8,905**	4,248
Reversal of provision for impairment losses on trade and other receivables	**80,834**	38,434
Share of (loss)/profit of an associate	**(275)**	896
Net finance costs	**(149,096)**	(148,374)
Gain on debt restructuring	**–**	1,948,451
Consolidated profit before taxation	**1,012,783**	2,966,740

	At 31 December 2017	At 31 December 2016
	$'000	*$'000*
Assets		
Reportable segment assets	**6,544,925**	4,050,859
Interest in an associate	**17,019**	16,142
Elimination of inter-segment receivables	**(323,338)**	(463,118)
Consolidated total assets	**6,238,606**	3,603,883
Liabilities		
Reportable segment liabilities	**3,855,626**	2,234,760
Income tax payable	**137,990**	128,972
Elimination of inter-segment payables	**(323,338)**	(463,118)
Consolidated total liabilities	**3,670,278**	1,900,614

5 OTHER REVENUE

	2017	2016
	$'000	*$'000*
Government grants	**5,126**	21,413

6 OTHER OPERATING EXPENSES, NET

	2017	2016
	$'000	*$'000*
Loss on disposal of property, plant and equipment and intangible assets	**(318)**	(9,290)
Net realised and unrealised gain on derivative financial instruments	**1,110**	9,805
Penalty	**(666)**	(15,748)
Others	**(362)**	647
	(236)	(14,586)

7 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2017	2016
	$'000	*$'000*
Interest income	**(3,275)**	(8,093)
Changes in fair value on derivative financial instruments *(note 14)*	**(3,422)**	–
Finance income	**(6,697)**	(8,093)
Interest on secured bank and other loans*	**50,947**	45,423
Interest on discounted bills receivable	**77,003**	21,482
Interest on senior notes	**–**	76,816
Interest on convertible bonds *(note 14)*	**12,251**	–
Total interest expense	**140,201**	143,721
Bank charges	**9,503**	1,174
Foreign exchange loss, net	**6,089**	11,572
Finance costs	**155,793**	156,467
Net finance costs	**149,096**	148,374

* During the year ended 31 December 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 year ended 31 December 2017, certain subsidiaries of the Group sold coal at an average price of approximately $947/tonne (2016: $664/tonne) with a total amount of $289,244,000 (31 December 2016: $377,381,000) with transfer of rights of coal inventories of 305,486 tonnes (2016: 568,000 tonnes) to that third party company.

At the same time, other subsidiaries of the Group purchased the same quantity of coal at an average price of approximately $970/tonne (2016: $684/tonne) with a total amount of $296,474,000 (2016: $388,326,000) from that third party company with a term of 90-120 days (2016: 45 days) to be settled afterwards and the rights to the corresponding coal inventories were transferred back to the Group upon settlement.

During the year ended 31 December 2017, interest expense of $7,230,000 (31 December 2016: $10,945,000) has been charged to the Company's consolidated statement of profit or loss in relation to these sale and buyback arrangements.

(b) Staff costs

	2017	2016
	$'000	*$'000*
Salaries, wages, bonus and other benefits	**327,922**	404,272
Contributions to defined contribution retirement plan	**6,574**	6,866
Equity settled share-based payment expenses	**–**	730
	334,496	411,868

(c) Other items

	2017	2016
	$'000	*$'000*
Amortisation#		
– lease prepayments	**11,415**	10,901
– intangible assets	**5,993**	723
Depreciation#	**29,064**	26,082
Provision for impairment losses		
– trade and other receivables *(note 13(b))*	**–**	120,622
– other receivables *(note 13(d))*	**–**	81
Reversal of provision for impairment losses		
– trade and other receivables *(note 13(b))*	**(64,452)**	(39,054)
– other receivables *(note 13(d))*	**(16,382)**	(120,083)
(Reversal of impairment loss)/Impairment losses		
– property, plant and equipment	**–**	(4,248)
– lease prepayments *(note 10)*	**32,787**	–
– loan to a third party *(note 12)*	**(41,692)**	–
Operating lease charges, mainly relating to buildings	**8,142**	6,410
Auditors' remuneration		
– audit services	**5,411**	5,484
– other services	**14**	1,391
Cost of inventories	**18,997,927**	11,578,836

Cost of inventories includes $44,300,000 (2016: $34,856,000) and $31,062,000 (2016: $3,912,000) for the year ended 31 December 2017 relating to staff costs, depreciation and amortisation which amount is also included in the respective total amount disclosed separately above or in note 7(b) for each type of these expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2017	2016
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**26,135**	27,536
Current tax – Outside of Hong Kong		
Provision for the year	**82,584**	66,548
Under – provision in respect of prior years	**18**	341
	108,737	94,425

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% (2016: 16.5%) of the estimated assessable profits for the year.

The provision for PRC current income tax is based on a statutory rate of 25% (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.

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

	2017	2016
	$'000	*$'000*
Profit before taxation	**1,012,783**	2,966,740
Notional tax on profit before taxation, calculated at the rates applicable to profit in the jurisdictions concerned	**229,381**	228,537
Tax effect of non-deductible expenses	**977**	4,661
Tax effect of utilisation of previously unrecognised tax losses	**(106,225)**	(148,537)
Tax effect of unused tax losses and other temporary differences not recognised	**(15,414)**	9,423
Under – provision in respect of prior years	**18**	341
Actual tax expense	**108,737**	94,425

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of $904,742,000 (2016: $2,873,605,000) and the weighted average number of ordinary shares of 3,089,966,000 ordinary shares (2016: 1,931,279,000 shares after adjusting for the share consolidation in 2016) in issue during the year ended 31 December 2017, calculated as follows:

Weighted average number of ordinary shares (basic):

	2017	2016
	'000	*'000*
Issued ordinary shares at 1 January	**3,018,559**	3,773,199
Effect of purchase of own shares	**(21,993)**	(1,026)
Effect of shares issued for exclusive service agreement	**81,804**	–
Effect of shares issued for settlement of CVRs	**43,223**	–
Effect of purchase of shares held by the employee share trusts*	**(31,627)**	(3,190)
Share consolidation	**–**	(3,584,539)
Effect of shares issued under rights issue (including issuance of anti-dilution shares)	**–**	1,237,115
Effect of bonus element on shares issued under right issue	**–**	212,813
Effect of scheme shares issued under debt restructuring	**–**	296,907
Weighted average number of ordinary shares (basic) as at 31 December	**3,089,966**	1,931,279

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

(b) Diluted earnings per share

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

	2017	2016
	$'000	*$'000*
Profit attributable to ordinary equity shareholders	**904,742**	2,873,605
Effect of potential ordinary shares		
– convertible bonds	**6,757**	–
Profit attributable to ordinary equity shareholders (diluted)	**911,499**	2,873,605

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

	2017	2016
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**3,089,966**	1,931,279
Effect of potential ordinary shares		
– convertible bonds	**107,812**	–
Weighted average number of ordinary shares (diluted) as at 31 December	**3,197,778**	1,931,279

10 LEASE PREPAYMENTS

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

	2017	2016
	$'000	*$'000*
Cost:		
At 1 January	**517,513**	551,046
Additions	**26,827**	–
Exchange adjustments	**38,026**	(33,533)
At 31 December	**582,366**	517,513
Accumulated amortisation and impairment losses:		
At 1 January	**55,133**	48,523
Charge for the year	**11,415**	10,901
Impairment losses	**32,787**	–
Exchange adjustments	**6,240**	(4,291)
At 31 December	**105,575**	55,133
Net book value:		
At 31 December	**476,791**	462,380

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

At 31 December 2017, land use rights with a total carrying amount of $320,109,000 (2016: $276,721,000) have been pledged as collateral for the Group's borrowings and bills payable.

Impairment loss

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

11 INTANGIBLE ASSETS

	Exclusive service agreement $'000	Software $'000	Total $'000
Cost:			
At 1 January 2016	–	8,980	8,980
Additions	–	557	557
Disposals	–	(1,462)	(1,462)
Exchange adjustments	–	(498)	(498)
At 31 December 2016	–	7,577	7,577
At 1 January 2017	–	7,577	7,577
Additions	105,108	903	106,011
Disposals	–	(242)	(242)
Exchange adjustments	285	555	840
At 31 December 2017	105,393	8,793	114,186
Accumulated amortisation:			
At 1 January 2016	–	4,164	4,164
Charge for the year	–	723	723
Written back on disposal	–	(1,462)	(1,462)
Exchange adjustments	–	(202)	(202)
At 31 December 2016	–	3,223	3,223
At 1 January 2017	–	3,223	3,223
Charge for the year	5,254	739	5,993
Written back on disposal	–	(242)	(242)
Exchange adjustments	16	243	259
At 31 December 2017	5,270	3,963	9,233
Net book value:			
At 31 December 2017	100,123	4,830	104,953
At 31 December 2016	–	4,354	4,354

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

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

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

12 OTHER NON-CURRENT ASSETS

	2017	2016
	$'000	*$'000*
Loan to a third party	**79,373**	120,260
Less: impairment losses	**(79,373)**	(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 year ended 31 December 2017, the Group has recovered loan principal of US$5.34 million (equivalent to approximately $41,692,000) from Moveday, including an offsetting of the outstanding loan principal of US$0.7 million (equivalent to approximately $5,770,000) against the Group's payables. The outstanding loan balance as at 31 December 2017 was US$10.16 million (equivalent to approximately $79,373,000) (31 December 2016: US$15.50 million (equivalent to approximately $120,260,000)).

As at 31 December 2017, the Group continues to make an impairment provision of $79,373,000 (31 December 2016: $120,260,000) taking into account the existence of uncertainties relating to the future financial and operating circumstances of Moveday.

13 TRADE AND OTHER RECEIVABLES

	2017	2016
	$'000	*$'000*
Trade receivables	**1,122,818**	416,925
Bills receivable	**1,628,459**	476,197
Receivables from import agents	**60,524**	254,197
Less: allowance for doubtful debts	**(80,612)**	(137,786)
	2,731,189	1,009,533
Prepayments to suppliers	**464,617**	299,368
Derivative financial instruments*	**34,668**	38,406
Deposits and other receivables	**183,354**	303,461
Less: allowance for doubtful debts	**(27,192)**	(41,285)
	3,386,636	1,609,483

* As at 31 December 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 import agents can be as long as one year, which are comparable to the credit terms for payables to import agents as granted to the Group. Bills receivable are normally due within 180 days to 360 days from the date of issuing.

At 31 December 2017, bills receivable of the Group of $233,202,000 (31 December 2016: $nil) have been pledged as collateral for the Group's borrowings.

At 31 December 2017, bills receivable of the Group of $1,167,894,000 (31 December 2016: $176,721,000) have been discounted to banks.

(a) Ageing analysis

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

	2017	2016
	$'000	*$'000*
Less than 3 months	**1,844,822**	568,823
More than 3 months but less than 6 months	**612,834**	440,710
More than 6 months but less than 1 year	**273,533**	–
	2,731,189	1,009,533

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

Impairment losses in respect of trade receivables, bills receivable and receivables from import 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 year is as follows:

	2017	2016
	$'000	*$'000*
At 1 January	**137,786**	58,870
Impairment loss recognised	**–**	120,622
Amounts written off	**–**	(2,652)
Reversal of impairment loss	**(64,452)**	(39,054)
Exchange adjustments	**7,278**	–
At 31 December	**80,612**	137,786

At 31 December 2017, the Group's trade receivables, bills receivable and receivables from import agents of $80,612,000 (2016: $137,786,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $80,612,000 (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 year ended 31 December 2017 and 2016.

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

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

	2017	2016
	$'000	*$'000*
Neither past due nor impaired	**2,580,183**	940,764
Less than 3 months past due	**150,265**	68,769
More than 3 months but less than 12 months past due	**741**	–
	2,731,189	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 receivable

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

	2017	2016
	$'000	*$'000*
At 1 January	**41,285**	161,368
Impairment loss recognised	**–**	81
Amounts written off	**–**	(81)
Reversal of impairment loss	**(16,382)**	(120,083)
Exchange adjustments	**2,289**	–
At 31 December	**27,192**	41,285

As at 31 December 2017, included in the impairment loss are impaired value added tax ("**VAT**") recoverable of $10,093,000 (31 December 2016: $25,306,000) that have accumulated to date in certain subsidiaries of the Group which can be deducted 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 represents the VAT recoverable, impaired in the prior year and which has been utilised by the Group during the year ended 31 December 2017.

14 CONVERTIBLE BONDS PAYABLES

	Liability component *$'000*	Derivatives component *$'000*	Warrants *$'000*	Total *$'000*
At 1 January 2017	–	–	–	–
Issued during the year	213,871	94,407	7,482	315,760
Interest charged during the year *(note 7(a))*	12,251	–	–	12,251
Fair value adjustment *(note 7(a))*	–	(5,494)	2,072	(3,422)
At 31 December 2017	226,122	88,913	9,554	324,589
Reconciliation to the consolidated statement of financial position:				
Current liabilities *(note 15)*	–	88,913	9,554	98,467
Non-current liabilities	226,122	–	–	226,122
	226,122	88,913	9,554	324,589

On 14 September 2017, the Company issued convertible bonds in the aggregate principal amount of US$40,000,000 together with 118,060,606 units of warrants to Lord Central Opportunity VII Limited ("Subscriber"). The convertible bonds bear a nominal interest rate at 5% per annum payable semi-annually. The maturity date of the convertible bonds is 14 September 2022. The convertible bonds are convertible into ordinary shares of the Company at the option of the holders of the convertible bonds at any time after the issue date of the convertible bonds and up to the maturity date at a conversion price of $0.862 per share, subject to adjustments.

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

In the meantime, the Subscriber was entitled to 118,060,606 units of warrants which are exercisable any time from the issue date and up to the fifth anniversary after the issue date, at a subscription price of $0.948, subject to adjustments.

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

15 TRADE AND OTHER PAYABLES

	2017	2016
	$'000	*$'000*
Trade and bills payables	**379,650**	214,149
Prepayments from customers	**80,798**	26,283
Payables in connection with construction projects	**45,682**	58,617
Payables for purchase of equipment	**7,706**	7,708
Payable for contingent value rights	**–**	77,553
Derivative financial instruments *(note 14)*	**98,467**	–
Others*	**400,452**	488,690
	1,012,755	873,000

* Included bonus payable to directors amounting to approximately $93,804,000 (2016: $180,084,000).

At 31 December 2017, bills payable amounting to $224,306,000 (2016: $11,514,000) have been secured by restricted bank deposits placed in banks, land use rights and properties with an aggregate carrying value of $49,350,000 (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:

	2017	2016
	$'000	*$'000*
Within 3 months	**289,890**	199,665
More than 3 months but less than 6 months	**74,777**	10,655
More than 6 months but less than 1 year	**7,096**	–
More than 1 year	**7,887**	3,829
	379,650	214,149

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

	2017	2016
	$'000	*$'000*
Due within 1 month or on demand	**155,344**	202,634
Due after 1 month but within 3 months	**149,537**	8,161
Due after 3 months but within 6 months	**74,769**	3,354
	379,650	214,149

16 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	2017	2016
	$'000	*$'000*
At 1 January	**128,972**	38,002
Provision for the year *(note 8(a))*	**108,719**	94,084
Under-provision in respect of prior years *(note 8(a))*	**18**	341
Income tax paid	**(101,626)**	(1,410)
Exchange adjustments	**1,907**	(2,045)
At 31 December	**137,990**	128,972

The Group has not recognised deferred tax assets in respect of deductible temporary differences and tax losses incurred by the subsidiaries of the Group of $1,674,132,000 and $881,159,000, respectively (2016: $1,932,854,000 and $1,710,679,000) as management of the Group considers that it is not possible as at 31 December 2017 to estimate, with any degree of certainty, the future taxable profits which may be earned by these subsidiaries. In particular, in accordance with the Group's accounting policy set out in the financial statements, the Group has not recognised deferred tax assets in respect of cumulative tax losses at 31 December 2017 as the management considers it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses in the PRC established entities of approximately $182,388,000, and $5,282,000 and $168,097,000 will expire in five years after the tax losses generated under current tax legislation in 2020, 2021 and 2022, respectively. The tax losses in those Hong Kong incorporated companies of approximately $8,847,000 can be utilised to offset any future taxable profits under current tax legislation.

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2017	2016
	$'000	*$'000*
Interim dividend declared and paid of $0.038 per ordinary share (2016: $nil)	**120,199**	–
Final dividend proposed after the end of the reporting period of $0.034 per ordinary share (2016: $nil)	**106,144**	242,497
	226,343	242,497

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

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

	2017	2016
	'000	*'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.077 (2016: $nil)	**242,497**	–

(b) Share capital

	2017	2016
	'000	*'000*
	No. of shares	*No. of shares*
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

	2017		2016	
	No. of shares		*No. of shares*	
	'000	***$'000***	*'000*	*$'000*
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	**3,018,559**	**5,681,512**	3,773,199	4,992,337
Cancellation of repurchased shares *(note i)*	**(18,408)**	**(15,390)**	–	–
Shares issued for exclusive services agreement *(note 11)*	**93,017**	**105,108**		
Shares issued for settlement of CVRs *(note ii)*	**64,131**	**77,785**		
Shares Consolidation	**–**	**–**	(3,584,539)	–
Rights Shares issued upon 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 31 December	**3,157,299**	**5,849,015**	3,018,559	5,681,512

Notes:

(i) Cancellation of repurchased shares

During the year ended 31 December 2017, the Company cancelled in aggregate of 18,408,000 of its own shares which were purchased from the open market in 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 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

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**") 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 will be 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 have been 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 have been 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.

(v) Employee share trusts

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

Employee share trusts are established for the purposes of awarding shares to eligible 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 year ended 31 December 2017, the Company granted certain RSU Awards in respect of an aggregate of 32,486,488 ordinary shares of the Company to certain grantees pursuant to the RSU Scheme. The ordinary shares of the Company underlying the grant of RSU Awards was settled by existing ordinary shares of the Company held by the employee share trusts.

The fair value of the granted ordinary shares was $27,162,000 based on quoted price of the Company's shares on the grant date, of which $30,583,000 was credited to the employee share trusts based on the weighted average cost of the granted ordinary shares, and the balance of $3,421,000 was debited to the other reserve in accordance with the policy set out in the financial statements.

In addition, the Company has repurchased on-market own shares in aggregate of 48,420,000 shares (2016: 24,705,650 shares) at a cash consideration of $40,883,000 (2016:$18,387,000) under the RSU Scheme during the year ended 31 December 2017.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by KPMG, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2017.

Qualified opinion

We have audited the consolidated financial statements of E-Commodities Holdings Limited (formerly known as "Winsway Enterprises Holdings Limited") ("the Company") and its subsidiaries ("the Group") set out on pages 9 to 112, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

As disclosed in note 21 to the consolidated financial statements, as at 31 December 2017, the Group had an outstanding loan due from Moveday Enterprises Limited ("Moveday") of US$10.16 million (equivalent to approximately $79,373,000) (31 December 2016: US$15.50 million (equivalent to approximately $120,260,000)) after recovery of loan principal of US$5.34 million (equivalent to approximately $41,692,000) during the year ended 31 December 2017. As at 31 December 2017, the Group continues to make an impairment provision of $79,373,000 (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. In our auditor's reports on the Group's financial statements for the years ended 31 December 2015 and 31 December 2016, we reported 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. This matter has not been resolved and therefore 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 31 December 2017 and could also affect the Group's profit for the year then ended, the opening balance of accumulated losses as at 1 January 2017, net assets as at 31 December 2016 and profit for the year then ended and the related disclosures in the consolidated financial statements.

CHAIRMAN STATEMENT

Dear shareholders and colleagues,

On the occasion of announcing the annual results of E-Commodities Holdings Limited ("**E-Commodities**") for 2017, I would like to take the opportunity to express my heartfelt gratitude for your staunch support over the years and your solid confidence in our future development. We will as usual make every effort to create more value for our shareholders and colleagues.

2017 was a year of strategic significance for E-Commodities. In 2017, the Company maintained stable profits while actively exploring and implementing strategic transformations. Our main business model is supply chain trading business, to provide supply chain services to our upstream and downstream customers. In 2017, sticking to our asset-light business model, we successfully explored valuable logistics and processing services from our core trading businesses and combined these with Internet and Internet of things ("**IoT**") technologies to weave an ecological commodity supply chain network. Our suppliers and customers in warehousing, processing, transportation, financing and others, and to become an integrated commodity supply chain service provider with logistics, finance and Internet services, to reflect the true corporate value of the Company.

Based on the above strategic transformation roadmap, the Company has made adjustments to our business to classify it into four major segments, that is, supply chain trading, supply chain logistics, supply chain financing services, and Internet intelligent platform.

In 2018, the supply chain trading segment will continue the Company's past commodity trading to provide sales and purchases services of commodities, such as, coal, iron ore, nonferrous metal and petrochemical products, and other services to upstream and downstream customers. The Company will further develop diversified categories of commodities in parallel while providing stable and scaled trading services to customers.

In the supply chain logistics segment, the Company will establish step-by-step a commodity supply chain logistics network called "Ground Network" consisting of and driven by important seaports, ports and logistics nodes, and roads, railways and sea transportation. The unique cross-border multimodal transportation, transit and clearance operating system, as well as intelligent warehousing services of E-Commodities will cover Mongolia, Russia, Australia and Northern China, Eastern China, Central China, Northeastern China and other regions.

The supply chain financing service segment, based on the Company's self-built supply chain financing service system, provides financing lease, commercial factoring, trade financing, futures hedging and other financing services. In 2018, while continuing to expand the above business operations, we will establish industrial investment funds to carry out the cross-period, cross-market and cross-types future-spot hedging and basis trading through integrated operations in both spot and futures market.

The Internet intelligent platform segment includes the development and operation of an enormous data-based transportation service platform, a supply chain financing platform, and a trading platform for diversified commodities. Through equity investment, business investment and cooperation, we have built up strategic partnerships with many professional institutions and will establish a "Sky Network" of commodity supply chain services by using artificial intelligence, big data, blockchain and IoT and many other technologies. In future, the "Sky Network" and "Ground Network" will be effectively combined to trigger the linkage between the Company's various segments to bring synergistic advantages. We will collect, integrate and analyze the data of various aspects of the commodity supply chain to really achieve a combination of information flow, commodities trading flow and capital flow with the objective to become a leading integrated commodity supply chain service provider.

We believe that 2018 will be a year for E-Commodities to achieve breakthrough growth. We will continue to improve efficiency, lower costs, control the risks, and make prudent investments, so as to create greater values and higher returns for our shareholders who have long relied on and supported the Company.

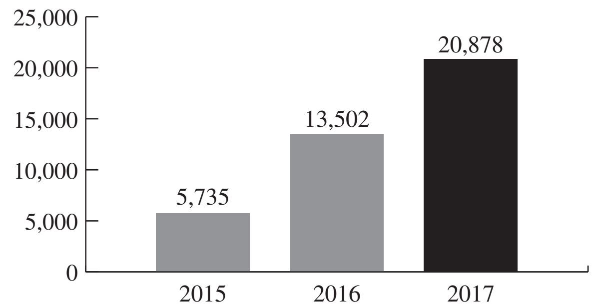
Cao Xinyi
Chairman
E-Commodities Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

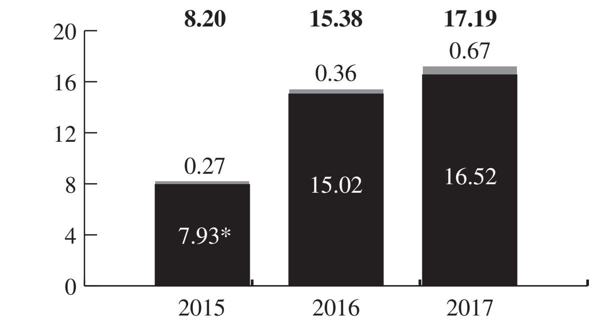
The following discussion and analysis should be read in conjunction with the Group's financial information and the notes thereto. The Group's financial information have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

I. Overview

Revenue *(in HK$ million)*



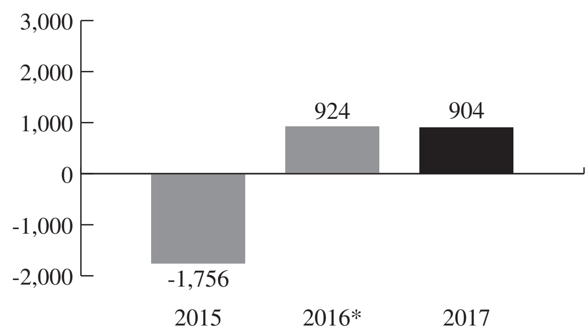
Supply Chain Trading Volume *(million tonnes)*



* GCC-produced coal is not included in the coal sales volume of the year of 2015.

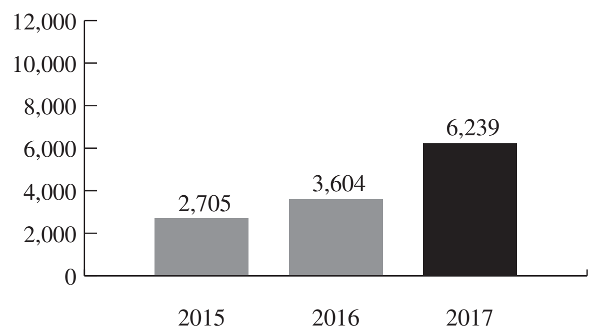
Coal Other

Adjusted Net Profit (loss) *(in HK$ million)*

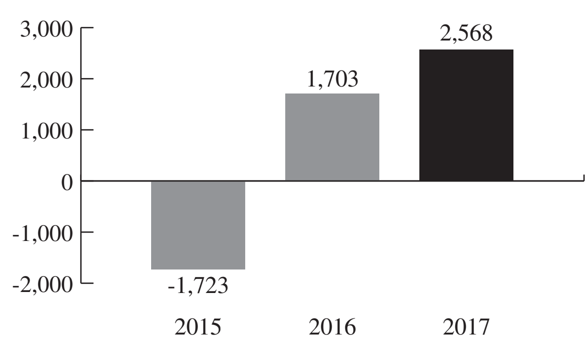


* In 2016, net profit was HK$2,872 million, excluding the gain on debt restructing, adjusted net profit in 2016 was HK$924 million.

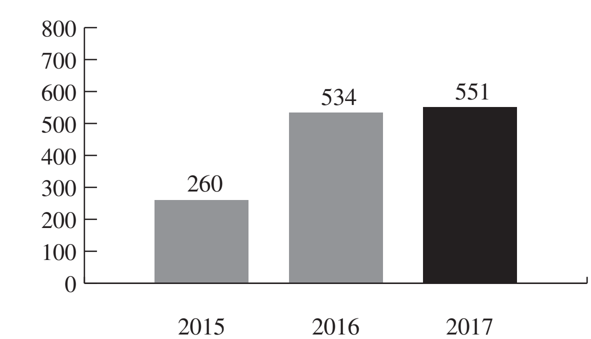
Total Assets *(in HK$ million)*



Total Equity *(in HK$ million)*



Cash Balance *(in HK$ million)*



II. Financial Review

1. Revenue Overview

In 2017, our sales revenue was HK$20,878 million, a 54.63% increase compared to HK$13,502 million in 2016. The increase is primarily attributable to the increases in our supply chain trading business. In 2017, our supply chain trading volume was 17.19 million tonnes, a 11.77% increase compared to 15.38 million tonnes in 2016. In 2017, our supply chain trading revenue for coal products was HK$19,428 million, accounting for approximately 93.06% of our total sales revenue of 2017.

The Company implemented a strategic transformation in 2017 to better position our business and maximize the value of the Company and its shareholders. Based on our strategic transformation roadmap, the Company has made adjustments to our business to classify it into the four business segments, supply chain trading, supply chain logistics, supply chain finance services, and Internet intelligent platform.

(1) Supply Chain Trading

In 2017, supply chain trading business segment has contributed the majority amount to our total revenue, accounted for HK$20,774 million, approximately 99.50% of the total sales revenue. This segment generates income by providing supply chain trading services to our end customers, covering diversified commodities of coal, petrochemical products, iron ore, nonferrous metals and others. For the year of 2017, revenue from supply chain trading also includes added value by rendering services of warehousing, processing and logistics internally, which is not yet separable from the revenue of supply chain trading. According to the strategic transformation to the four major segments, the Company targets to separate the internally rendered logistics services away from supply chain trading services, so as to recognize the revenue from internally rendered logistics services to the second business segment of supply chain logistics services.

The Company has also adjusted the business segment of supply chain trading to diversify our trading categories and expand our products lines from coal to petrochemical products, nonferrous metals, iron ore, and others since 2016 and continued such strategy in 2017. The increase in trading categories allows the Company to better adapt to different market conditions.

	2017	2016
	HK$'000	*HK$'000*
Coal	**19,428,312**	12,346,494
Petrochemical products	**846,104**	954,378
Iron ore	**273,578**	11,042
Nonferrous metals	**226,160**	–
Rendering of logistics services	**94,344**	92,093
Steel	**–**	91,311
Others	**9,461**	6,428
	20,877,959	13,501,746

In 2017, approximately 93.06% of sales revenue was generated from the sales of coal, compared to approximately 91.44% in 2016.

In 2017, our top 5 customers accounted for 43.70% of our total sales, whereas the same ratio was 43.13% in 2016. These customers are mainly large-scale, state-owned steel groups throughout China, being leading companies in the industry.

(2) Supply Chain Logistics

In 2017, our supply chain logistics segment generated revenue of HK$94 million, accounting for 0.45% of our total revenue. This segment is mainly providing warehousing, processing and logistic services for our supply chain trading business. Sticking to our asset-light business model, we successfully explored valuable logistics and processing services from our supply chain trading business and will combine these with Internet and IoT technologies to weave an ecological commodity supply chain network.

In the supply chain logistics segment, the Company will establish step-by-step a commodity supply chain logistics network called "Ground Network" consisting of and driven by important seaports, ports and logistics nodes, and roads, railways and sea transportation. The unique cross-border multimodal transportation, transit and clearance operating system, as well as intelligent warehousing services of E-Commodities will cover Mongolia, Russia, Australia and Northern China, Eastern China, Central China, Northeastern China and other regions.

(3) Supply Chain Financing Services

The supply chain financing service segment, based on the Company's self-built supply chain financing service system, provides financing lease, commercial factoring, trade financing, futures hedging and other financing services. In 2018, while continuing to expand the above business operations, we will establish industrial investment funds to carry out cross-period, cross-market and cross-types future-spot hedging and basis trading through integrated operations in both spot and futures market.

(4) Internet Intelligent Platform

The Internet intelligent platform segment includes the development and operation of an enormous data-based transportation service platform, a supply chain financing platform, and a trading platform for diversified commodities. Through equity investment, business investment and cooperation, we have built up strategic partnerships with many professional institutions and will establish a "Sky Network" of commodity supply chain services by using artificial intelligence, big data, blockchain and IoT and many other technologies. In future, the "Sky Network" and "Ground Network" will be effectively combined to trigger the linkage between the Company's various segments to bring synergistic advantages. We will collect, integrate and analyze the data of various aspects of the commodity supply chain to really achieve a combination of information flow, commodities trading flow and capital flow with the objective to become a leading integrated commodity supply chain service provider.

2. *Cost of Goods Sold ("COGS")*

COGS primarily consist of the purchase price, transportation costs, and processing costs. COGS in 2017 was HK$19,057 million, which was a 63.87% increase compared to HK$11,629 million in 2016. The increase was primarily attributable to the increased purchase price per tonne of coal in supply chain trading business in 2017. The procurement volume and amounts of each commodity of revenue is as follows:

	2017		2016	
	procurement volume *'000 tonnes*	**procurement amounts** *HK$'000*	procurement volume *'000 tonnes*	procurement amounts *HK$'000*
Coal	**16,184**	**16,709,151**	15,852	9,929,609
Petrochemical products	**171**	**821,559**	285	944,220
Nonferrous metals	**11**	**233,035**	–	–
Iron ore	**639**	**341,519**	79	17,849
Steel	**–**	**–**	38	93,131
	17,005	**18,105,264**	16,254	10,984,809

In 2017, total procurement amount was HK$18,105 million, of which, the top five suppliers accounted for 37.88%. No director of the Company or their close associate, or shareholder of the Company owns more than 5% of the issued shares in the Company, has any interest in suppliers.

3. *Gross Profit*

The Group recorded a gross profit of HK$1,821 million in 2017, compared to a gross profit of HK$1,872 million recorded in 2016. The decrease in gross profit was mainly due to lower profitability per tonne of coking coal to a reasonable level in 2017, and the moderately lowered profit target due to new expansion of other non-coking coal commodities.

4. *Distribution Costs*

Distribution costs were HK$296 million in 2017, which was a 53.37% increase compared to HK$193 million in 2016. This increase was mainly due to the increase of our supply chain trading business volume. Distribution costs includes fees and charges incurred for supply chain trading and related logistics and transportation costs.

5. *Administrative Expenses*

Administrative expenses were HK$378 million in 2017, a decrease of 28.00% over HK$525 million of administrative expenses incurred in 2016. This was mainly due to a lower annual bonus payment in 2017 and much lower professional expenses than those incurred in relation to the restructuring of the senior notes, which is successfully completed in the mid of 2017. In 2017, administrative staff costs decreased 20.33% to HK$290 million from HK$364 million in 2016.

	2017	2016
	HK$'000	*HK$'000*
Staff costs	**290,196**	364,338
(Reversal of provision)/Provision of impairment losses on trade and other receivables	**(80,834)**	(38,434)
Others	**168,184**	198,881
Total	**377,546**	524,785

6. Net Finance Costs

In 2017, the Group recorded net finance costs of HK$149 million in total, compared to net finance costs of HK$148 million in 2016.

Net finance costs

	2017	2016
	HK$'000	*HK$'000*
Interest income	**(3,275)**	(8,093)
Changes in fair value of derivative financial instruments	**(3,422)**	–
Finance income	**(6,697)**	(8,093)
Interest on secured bank and other loans	**50,947**	45,423
Interest on discounted bills receivable	**77,003**	21,482
Interest on senior notes	**–**	76,816
Interest on convertible bonds	**12,251**	–
Total interest expense	**140,201**	143,721
Bank charges	**9,503**	1,174
Foreign exchange loss, net	**6,089**	11,572
Finance costs	**155,793**	156,467
Net finance costs	**149,096**	148,374

7. Net profit and earnings per share

Our net profit was HK$904 million in 2017, compare to the profit of HK$2,872 million in 2016, which includes a gain on debt restructuring of HK$1,948 million. Excluding the gain on debt restructuring, profit in 2016 was HK$924 million.

Basic earnings per share was HK$0.293 in 2017, compared to basic earnings per share of HK$1.488 in 2016. Diluted earnings per share was HK$0.285 in 2017, compared to diluted earnings per share of HK$1.488 in 2016. The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of HK$904,742,000 (2016: HK$2,873,605,000) and the weighted average number of ordinary shares of 3,089,966,000 ordinary shares (2016: 1,931,279,000 shares after adjusting for the share consolidation in 2016 in issue during the year ended 31 December 2017).

8. *Other Non-Current Assets*

	2017	2016
	HK$'000	*HK$'000*
Loan to a third party	**79,373**	120,260
Less: impairment losses	**(79,373)**	(120,260)
	–	–

During the year ended 31 December 2017, the Group recovered loan principal of US$5.34 million (equivalent to approximately HK$41,692,000) from Moveday, including an offsetting of the outstanding loan principal of US$0.7 million (equivalent to approximately HK$5,770,000) against the Group's payables. The outstanding loan balance as at 31 December 2017 was US$10.16 million (equivalent to approximately HK$79,373,000) (31 December 2016: US$15.50 million (equivalent to approximately HK$120,260,000)).

As at 31 December 2017, the Group continues to make an impairment provision of HK$79,373,000 (31 December 2016: HK$120,260,000) taking into account the existence of uncertainties relating to the future financial and operating circumstances of Moveday.

9. *Convertible Bonds Payables*

On 14 September 2017, the Company issued convertible bonds ("**Convertible Bonds**") in the aggregate principal amount of US$40,000,000 together with 118,060,606 units of warrants ("**Warrants**") to Lord Central Opportunity VII Limited ("**Subscriber**"). The Convertible Bonds bear a nominal interest rate at 5% per annum payable semi-annually. The maturity date of the Convertible Bonds is 14 September 2022. The Convertible Bonds are convertible into ordinary shares of the Company at the option of the holders of the Convertible Bonds at any time after the issue date of the Convertible Bonds and up to the maturity date at a conversion price of HK$0.862 per share, subject to adjustments.

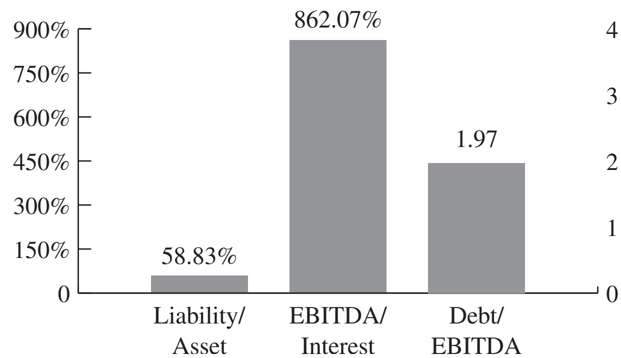
At any time after the second anniversary of the issue date until the maturity date, the holder of Convertible Bonds may, by issuing a redemption notice in writing to the Company, require the Company to redeem all or part of the outstanding principal amount of the Convertible Bonds at the redemption amount equal to such amount representing an internal rate of return of 10% on the principal amount of on the outstanding Convertible Bonds to be redeemed (inclusive of interest received but excluding default interest), calculated from the issue date up to the date on which the Company completes the redemption.

In the meantime, the Subscriber was entitled to 118,060,606 Warrants which are exercisable any time from the issue date and up to the fifth anniversary after the issue date, at a subscription price of HK$0.948 per share, subject to adjustments.

10. *Indebtedness and Liquidity*

The total amount of bank loans owed by the Group at the end of 2017 was HK$2,075 million. Interest rates on these loans range from 1.96% to 7.84% per annum, whereas the range in 2016 was from 2.80% to 7.84%. The Group's gearing ratio at the end of 2017 was 58.83%, which was a slight increase compared to 52.74% at the end of 2016. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.

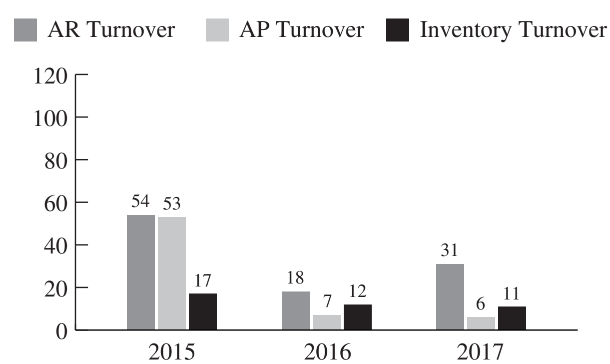
Indebtedness and Liquidity



11. *Working Capital*

Our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 31 days, 6 days, and 11 days, respectively, in 2017. As a result, the overall cash conversion cycle was approximately 36 days in 2017, which was 13 days longer than the Group's cash conversion cycle realised in 2016.

Working Capital



12. *Contingent Liabilities*

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

13. Pledge of Assets

At 31 December 2017, bank loans amounting to HK$24,298,000 (2016: HK$27,035,000) have been secured by bank deposits placed in banks with an aggregate carrying value of HK$24,300,000 (2016: HK$27,901,000).

At 31 December 2017, bank loans amounting to HK$1,167,894,000 (2016: HK$176,721,000) have been secured by bills receivable with recourse with an aggregate carrying value of HK$1,167,894,000 (2016: HK$176,721,000).

At 31 December 2017, bank loans amounting to HK$480,311,000 (2016: HK$nil) have been secured by bills receivable pledge with an aggregate carrying value of HK$208,678,000 (2016: HK$nil) and bank deposits placed in banks with an aggregate carrying value of HK$292,356,000 (2016: HK$nil).

At 31 December 2017, bank loans amounting to HK$366,118,000 (2016: HK$520,412,000) have been secured by land use rights with an aggregate carrying value of HK$319,055,000 (2016: HK$389,756,000) and bills receivable pledge with an aggregate carrying value of HK$24,524,000 (2016: HK$nil).

At 31 December 2017, bank loan amounting to $35,889,000 (2016: $33,537,000) has been secured by credit guarantee with a guarantee amount of $35,889,000 (2016: $33,537,000) to a subsidiary of the Group.

At 31 December 2017, bills payable amounting to HK$224,306,000 (2016: HK$11,514,000) have been secured by restricted bank deposits placed in banks, land use rights and properties with an aggregate carrying value of HK$49,350,000 (2016: HK$11,514,000).

14. Contingent Value Rights

Under the restructuring of the senior notes issued by the Company in April 2011, certain contingent value rights ("**CVRs**") were issued to the holders of the senior notes 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 such holders 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 had the right to choose to use cash or shares (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.

On 28 March 2017, as a result of the occurrence of the triggering event, the Company issued a notice (the "**Notice**") to the relevant holders of the senior notes indicating that the Company would 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 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.

15. Cash Flow

In 2017, our operating cash outflow was HK$393 million compared to HK$382 million cash inflow during the same period last year. The net cash outflow of operating activities was mainly due to HK$1,224 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 2017, the Group received a cash outflow from investing activities of HK$690 million compared to HK$404 million cash inflow during 2016. The cash outflow from investing activities in 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$1,090 million in 2017 compared to a HK$504 million cash outflow from financing activities in 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 in 2017, HK$1,224 million was net cash received from discounted bills receivable with recourse rights 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 Commodities Prices

The market prices of commodities are volatile and are affected by numerous factors that are beyond our control. These include international supply and demand, the level of consumer product demand, international economic trends, global or regional political events and international events, as well as a range of other market forces. The combined effects of any or all of these factors on commodities prices are impossible for us to predict. There can be no assurance that global and domestic commodities prices will continue to remain at a profitable level. Under the circumstances that our business fails to remain at a profitable level, there would be material and adverse effect on our financial condition.

2. Dependence Upon the Steel Industry

In 2017, the revenue of the Company was mainly generated from supply chain trading services of coking coal products, which is heavily dependent on the demand for coking coal by steel mills and coke plants in China. The steel industry's demand for metallurgical coal is affected by a number of factors including the cyclical nature of that industry's business, technological developments in the steel-making process and the availability of substitutes for steel such as aluminum, composites and plastics. In 2017, prices of steel products remained a high level, which had a material positive effect on the Group's performance.

3. Liquidity risk

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

4. Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to payables, cash balances and bank loans that are denominated in a foreign currency. The currencies giving rise to this risk are primarily United States dollars and Renminbi. Depreciation or appreciation of these foreign currencies against United States dollars and Renminbi would affect the financial position and operating result of the Group.

5. Fair value measurement

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

IV. Exposure to exchange rate fluctuations

Over 32.45% of the Group's turnover in 2017 are denominated in Renminbi. Over 84.24% of the Group's purchase cost, and some of our operating expenses, are denominated in US dollars. Fluctuations in exchange rates may adversely affect the value of the Group's net assets, earnings or any declared dividends as Renminbi is translated or converted into US dollars or Hong Kong dollars. Any unfavourable movement in the exchange rate may lead to an increase in the costs of the Group or a decline in sales, which could materially affect the Group's results of operations.

V. Final Dividends

A final dividend in cash of HK0.034 per share, totalling approximately HK$106 million, has been declared for the year ended 31 December 2017. The final dividend would be payable to the shareholders of the Company subject to the approval of the shareholders of Company at the forthcoming annual general meeting. The final dividend is expected to be paid on or around Tuesday, 31 July 2018. The dates for closure of register of members of the Company for ascertaining shareholders' entitlement to the final dividend will be further announced.

VI. Human Resources

1. Employee Overview

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

As at 31 December 2017, there were 254 full-time employees in the Group (excluding 650 dispatch staff from domestic subsidiaries). Due to business growth, there was an approximately 25.74% head count increase in 2017. The breakdown of employee categories is as follows:

	2017		2016	
Functions	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Management, Administration & Finance	**143**	**56%**	123	61%
Front-line Production & Production Support & Maintenance	**43**	**17%**	21	10%
Sales & Marketing	**55**	**22%**	39	19%
Others (incl. Projects, Coal Washing Plant, Transportation)	**13**	**5%**	19	10%
TOTAL	**254**	**100%**	202	100%

2. *Employee Education Overview*

	2017		2016	
Qualifications	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Master & above	**48**	**19%**	47	23%
Bachelor	**103**	**41%**	70	35%
Diploma	**49**	**19%**	50	25%
High-School, Technical School & below	**54**	**21%**	35	17%
Total	**254**	**100%**	202	100%

3. *Training Overview*

The Group considers training as an invaluable process to provide employees with information, new skills, and professional development opportunities. During the year ended on 31 December 2017, the Company held various training programs totaling 1,866 hours, and over 1,048 attendances were recorded of these programs.

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

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

Training Overview

	2017		2016	
Training Courses	**No. of hours**	**No. of participants**	No. of hours	No. of participants
Safety	**750**	**558**	197	41
Management & Leadership	**715**	**344**	470	97
Operation Excellence	**401**	**146**	74	15
Total	**1,866**	**1,048**	741	153

VII. Health, Safety and Environment

We pay great attention to the health and safety of employees, and understand the importance of protection of environment. In 2017, the Company increased investment on safety management, established a safety examination, supervision and administration system for our Mongolia business department, and enhanced the awareness of safety of all staff in respect of the safety control of washing base. We focused on removing hidden health and safety dangers, and conducted top-down supervision. Lost Time Injury Frequency Rate, Fatality Incident Rate (FTIR) and Total Recordable Case Frequency (TRCF) are the key indicators to measure how we realize our commitment. There was no environmental accident or occupational health and safety accident during 2017. The key works of the Company on the health and safety of employees in 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.

SUPPLEMENTARY INFORMATION

Compliance with the Code on Corporate Governance Practices

Throughout the year ended 31 December 2017, the Company fully 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**").

Compliance with the Model Code for Securities Transactions by Directors of the Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers set out in Appendix 10 to the Listing Rules (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 of the Company, each Director confirmed that he/she has complied with the required standard set out in the Model Code throughout the year ended 31 December 2017.

Purchase, Sale or Redemption of the Company's Listed Securities

Issue of consideration shares under General Mandate

On 18 January 2017 (after trading hours), the Company and Minghua Energy Group Co., Ltd. (明華能源集團有限公司) ("**Minghua Group**") entered into an exclusive services agreement (the "**Exclusive Services Agreement**") under which the Company and its subsidiaries have been granted by Minghua Group the exclusive right to the provision of logistics services and other services by Minghua Group thereunder. The Company agreed to pay to Minghua Group the exclusive right fee in the amount of RMB100 million, which was satisfied by the Company through the issue of approximately 93,016,667 consideration shares, at an issue price of HK$1.2 per share to Minghua Group. For further details, please refer to the Company's announcement dated 18 January 2017.

Repurchase of shares under the Repurchase Mandate

As at 31 December 2017, the Company had a total of 3,157,298,356 shares in issue. The Company repurchased a total of 35,424,000 shares on the stock market during the year ended 31 December 2017. 35,424,000 repurchased shares were cancelled in January 2018 and the total number of shares in issue was reduced accordingly.

Review of Annual Results

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2017.

Disclosure of Information on the Hong Kong Stock Exchange's Website

This annual results announcement is published on the websites of the Company (www.e-comm.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 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 March, 2018

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.