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

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1733)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

1. Revenue of the Group from operations in 2018 was HK$32,817 million, representing a 57.18% increase over revenue in 2017 of HK$20,878 million.

2. Net profit in 2018 was HK$893 million.

3. Profit attributable to equity shareholders of the Company in 2018 was HK$880 million.

4. Basic earnings per share was HK$0.286 in 2018, compared to basic earnings per share of HK$0.293 in 2017.

5. Diluted earnings per share was HK$0.259 in 2018, compared to diluted earnings per share of HK$0.285 in 2017.

6. A final dividend in cash of HK$0.072 per share, totalling approximately HK$218 million, has been declared for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 (Note) $'000
Revenue	3	**32,817,456**	20,877,959
Cost of sales		**(31,202,391)**	(19,056,550)
Gross profit		**1,615,065**	1,821,409
Other revenue		**3,838**	5,126
Distribution costs		**(195,052)**	(295,504)
Administrative expenses		**(444,706)**	(377,546)
Other operating income/(expenses), net	4	**60,103**	(236)
Reversal of impairment of non-current assets	5(c)	**79,373**	8,905
Profit from operations		**1,118,621**	1,162,154
Finance income		**41,803**	6,697
Finance costs		**(235,147)**	(155,793)
Net finance costs	5(a)	**(193,344)**	(149,096)
Share of loss of associates		**(1,564)**	(275)
Profit before taxation		**923,713**	1,012,783
Income tax	6	**(30,687)**	(108,737)
Profit for the year		**893,026**	904,046
Profit attributable to:			
Equity shareholders of the Company		**879,772**	904,742
Non-controlling interests		**13,254**	(696)
Profit for the year		**893,026**	904,046
Earnings per share	7		
Basic (HK$)		**0.286**	0.293
Diluted (HK$)		**0.259**	0.285

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	2018	2017
		(Note)
	$'000	*$'000*
Profit for the year	**893,026**	904,046
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	**(4,459)**	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(155,685)**	152,760
Other comprehensive income for the year	**(160,144)**	152,760
Total comprehensive income for the year	**732,882**	1,056,806
Total comprehensive income attributable to:		
Equity shareholders of the Company	**721,510**	1,053,356
Non-controlling interests	**11,372**	3,450
Total comprehensive income for the year	**732,882**	1,056,806

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

(Expressed in Hong Kong dollars)

	Note	At 31 December 2018 $'000	At 31 December 2017 (Note) $'000
Non-current assets			
Property, plant and equipment, net		**489,933**	340,465
Construction in progress		**69,486**	8,350
Lease prepayments		**442,052**	476,791
Intangible assets		**110,312**	104,953
Interest in associates		**11,371**	17,019
Other investments in equity securities	*8*	**107,565**	125,348
Receivables under finance leases		**–**	3,828
Other non-current assets	*9*	**–**	–
Total non-current assets		**1,230,719**	1,076,754
Current assets			
Inventories		**1,104,851**	621,352
Trade and other receivables	*10*	**4,288,313**	3,386,636
Receivables under finance leases		**1,992**	1,914
Restricted bank deposits		**443,596**	601,335
Cash and cash equivalents		**699,361**	550,615
Other current assets	*9*	**21,485**	–
Total current assets		**6,559,598**	5,161,852
Current liabilities			
Secured bank and other loans		**2,339,373**	2,146,288
Trade and other payables	*11*	**1,666,439**	914,288
Obligations under finance leases		**16,651**	4,233
Income tax payable	*12(a)*	**99,917**	137,990
Convertible bonds payables		**316,580**	98,467
Total current liabilities		**4,438,960**	3,301,266
Net current assets		**2,120,638**	1,860,586
Total assets less current liabilities		**3,351,357**	2,937,340

	Note	At 31 December 2018 $'000	At 31 December 2017 (Note) $'000
Non-current liabilities			
Secured bank and other loans		**92,445**	–
Convertible bonds payables		**–**	226,122
Deferred income		**129,815**	138,826
Obligations under finance leases		**7,973**	4,064
Total non-current liabilities		**230,233**	369,012
NET ASSETS		**3,121,124**	2,568,328
CAPITAL AND RESERVES			
Share capital	*13(b)*	**5,797,302**	5,849,015
Reserves		**(2,551,921)**	(3,172,463)
Total equity attributable to equity shareholders of the Company	.	**3,245,381**	2,676,552
Non-controlling interests		**(124,257)**	(108,224)
TOTAL EQUITY		**3,121,124**	2,568,328

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

E-Commodities Holdings Limited (the "**Company**") was incorporated in the British Virgin Islands ("BVI") on 17 September 2007 with limited liability under the Business Companies Act of the British Virgin Islands (2004). The Company and its subsidiaries (together referred to as the "**Group**") are principally engaged in the processing and trading of coal and other products and providing logistics services throughout the commodity supply chain.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– Investment in equity securities; and

– derivative financial instruments.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is different from the functional currency of the Company and its principal subsidiaries. The Company's functional currency is United Stated dollars ("**US$**"). As the Company is a listed company in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

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 2018 and management's expectations of developments in the coal market. In preparing the cash flow projections, management assumed that the coal market conditions during the year ended 31 December 2018 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.

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) IFRS 9, *Financial instruments*

(ii) IFRS 15, *Revenue from contracts with customers*

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

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

(i) IFRS 9, Financial instruments

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on accumulated loss and reserves and the related tax impact at 1 January 2018.

	$'000
Accumulated loss	
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	8,998
Net increase in accumulated loss at 1 January 2018	8,998
Fair value reserve (non-recycling)	
Recognition of fair value reserve (non-recycling) relating to equity securities now measured at FVOCI	21,358

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

a. Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	IAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount at 1 January 2018
	$'000	*$'000*	*$'000*	*$'000*
Financial assets carried at amortised cost				
Cash and cash equivalents	550,615	–	–	550,615
Restricted bank deposits	601,335	–	–	601,335
Trade and other receivables	2,763,568	–	(8,998)	2,754,570
Other non-current assets	–	–	–	–
	3,915,518	–	(8,998)	3,906,520
Financial assets carried at FVOCI (non-recyclable)				
Other investments in equity securities *(note (i))*	–	125,348	(21,358)	103,990
Financial assets carried at FVPL				
Derivative financial instruments *(note (ii))*	34,668	–	–	34,668
Financial assets classified as available-for-sale under IAS 39 *(notes (i))*	**125,348**	**(125,348)**	**–**	**–**

Notes:

(i) Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in those third party companies engaged in coal mining, railway logistics, ports management and coal storage business at FVOCI (non-recycling), as these investments are held for strategic purposes.

(ii) Derivative financial instruments were classified as financial assets at FVPL under IAS 39. These assets continue to be measured at FVPL under IFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. *Credit losses*

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including trade and other receivables, other current assets and other non-current assets);

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	$'000
Loss allowance at 31 December 2017 under IAS 39	187,177
Additional credit loss recognised at 1 January 2018 on:	
– Trade receivables	7,658
– Bills receivable (included in trade and other receivables)	1,340
Loss allowance at 1 January 2018 under IFRS 9	196,175

c. *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in accumulated loss and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

- the determination of the business model within which a financial asset is held, and

- the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The adoption of IFRS 15 does not have any material impact on the financial position and the financial result of the Group.

(iii) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

	2018	2017
	$'000	*$'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Coal	**28,028,521**	19,428,312
– Oil and petrochemical products	**3,004,972**	846,104
– Iron ore	**1,228,312**	273,578
– Nonferrous metals	**351,070**	226,160
– Rendering of logistics services	**133,702**	94,344
– Coke	**26,028**	–
– Others	**44,851**	9,461
	32,817,456	20,877,959

Among the Group's revenue from the trading of coal and other products, $2,629,944,000 (2017: $5,842,028,000) 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**").

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b)(i) and 3(b)(iii) respectively.

The Group's customer base is diversified and includes two customers which amounted to approximately $5,291,063,000 and $3,368,086,000 respectively(2017: two) 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 associates. 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 amortsiation", 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 2018 and 2017 is set out below.

(i) Segment results, assets and liabilities

	Processing and trading of coal and other products		Logistics services		Total	
	2018	2017	**2018**	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Disaggregated by timing of revenue recognition						
Point in time	**32,683,754**	20,783,615	**–**	–	**32,683,754**	20,783,615
Over time	**–**	–	**133,702**	94,344	**133,702**	94,344
Revenue from external customers	**32,683,754**	20,783,615	**133,702**	94,344	**32,817,456**	20,877,959
Inter-segment revenue	**–**	–	**22,104**	15,323	**22,104**	15,323
Reportable segment revenue	**32,683,754**	20,783,615	**155,806**	109,667	**32,839,560**	20,893,282
Reportable segment profit (adjusted EBITDA)	**987,890**	1,110,512	**28,685**	8,375	**1,016,575**	1,118,887
Interest income	**4,959**	3,177	**533**	98	**5,492**	3,275
Interest expense	**(187,954)**	(130,629)	**(9,077)**	(9,572)	**(197,031)**	(140,201)
Depreciation and amortisation	**(57,721)**	(43,913)	**(2,849)**	(2,559)	**(60,570)**	(46,472)
Reversal of impairment of non-current assets	**79,373**	8,905	**–**	–	**79,373**	8,905
Reversal of provision/(provision) for impairment losses on trade and other receivables	**83,932**	78,685	**(689)**	2,149	**83,243**	80,834
Share of loss of associates	**–**	–	**(1,564)**	(275)	**(1,564)**	(275)
Reportable segment assets	**7,888,489**	6,418,472	**175,129**	126,453	**8,063,618**	6,544,925
Additions to non-current segment assets during the year	**376,988**	279,584	**2,508**	1,415	**379,496**	280,999
Reportable segment liabilities	**4,504,549**	3,475,809	**349,399**	379,817	**4,853,948**	3,855,626

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

	2018	2017
	$'000	*$'000*
Revenue		
Reportable segment revenue	**32,839,560**	20,893,282
Elimination of inter-segment revenue	**(22,104)**	(15,323)
Consolidated revenue	**32,817,456**	20,877,959
Profit		
Reportable segment profit	**1,016,575**	1,118,887
Depreciation and amortisation	**(60,570)**	(46,472)
Reversal of impairment of non-current assets	**79,373**	8,905
Reversal of provision for impairment losses on trade and other receivables	**83,243**	80,834
Share of loss of associates	**(1,564)**	(275)
Net finance costs	**(193,344)**	(149,096)
Consolidated profit before taxation	**923,713**	1,012,783

	At 31 December 2018	At 31 December 2017
	$'000	*$'000*
Assets		
Reportable segment assets	**8,063,618**	6,544,925
Interest in associates	**11,371**	17,019
Elimination of inter-segment receivables	**(284,672)**	(323,338)
Consolidated total assets	**7,790,317**	6,238,606
Liabilities		
Reportable segment liabilities	**4,853,948**	3,855,626
Current tax payable	**99,917**	137,990
Elimination of inter-segment payables	**(284,672)**	(323,338)
Consolidated total liabilities	**4,669,193**	3,670,278

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than other investment in equity securities ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in associates.

	Revenues from external customers		**Specified non-current assets**	
	2018	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*
The PRC (including Hong Kong and Macau)	**29,592,066**	19,221,864	**1,076,514**	935,938
Turkey	**1,423,596**	550,050	**–**	–
India	**911,143**	–	**–**	–
South Korea	**668,714**	173,605	**–**	–
America	**114,760**	–	**–**	–
Indonesia	**95,541**	–	**–**	–
Japan	**–**	711,167	**23,078**	5,887
Others	**11,636**	221,273	**23,562**	9,581
	32,817,456	20,877,959	**1,123,154**	951,406

4 OTHER OPERATING INCOME/(EXPENSES), NET

	2018	2017
	$'000	*$'000*
Gain/(loss) on disposal of property, plant and equipment and intangible assets	**3,925**	(318)
Net realised and unrealised gain on derivative financial instruments	**57,107**	1,110
Penalty	**(1,601)**	(666)
Others	**672**	(362)
	60,103	(236)

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2018	2017
	$'000	*$'000*
Interest income on financial assets measured at amortised cost	**(5,492)**	(3,275)
Changes in fair value on conversion option embedded in convertible bonds and warrants	**(36,311)**	(3,422)
Finance income	**(41,803)**	(6,697)
Interest on secured bank and other loans	**65,466**	50,370
Interest on discounted bills receivable	**87,409**	77,003
Finance charges on obligations under finance leases	**1,156**	577
Interest on convertible bonds	**43,000**	12,251
Total interest expense	**197,031**	140,201
Bank charges	**22,577**	9,503
Foreign exchange loss, net	**15,539**	6,089
Finance costs	**235,147**	155,793
Net finance costs	**193,344**	149,096

(b) Staff costs

	2018	2017
	$'000	*$'000*
Salaries, wages, bonus and other benefits*	**355,278**	327,922
Contributions to defined contribution retirement plan	**8,406**	6,574
	363,684	334,496

* *For the year ended 31 December 2018, staff-related expenses of the Group included a bonus of approximately HK$151 million, of which HK$131 million was paid to the business sector teams, and the remaining HK$20 million was paid to the functional management team. The following factors were considered in determining the bonus, business pretax profit made by each business sector team, individual performance and overall profit of the Company. A certain proportion of the business pretax profit made by each business sector team is appropriated for use as bonus. The proportion was determined by reference to the incentive schemes of similar companies in the market, and with the aim of boosting performance so as to maintaining team stability and morale, and ensuring that the Company is competitive enough in the market to retain outstanding employees and management team.*

(c) Other items

	2018	2017
		(Note)
	$'000	*$'000*
Amortisation*		
– lease prepayments	**11,680**	11,415
– intangible assets	**7,046**	5,993
Depreciation*	**41,844**	29,064
Reversal of provision for impairment losses		
– trade and other receivables	**(80,158)**	(64,452)
– other receivables	**(3,085)**	(16,382)
(Reversal of impairment loss)/Impairment losses		
– lease prepayments	**–**	32,787
– loan to a third party *(note 9)*	**(79,373)**	(41,692)
Operating lease charges, mainly relating to buildings	**17,677**	8,142
Cost of inventories*	**31,121,203**	18,997,927

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

* *Cost of inventories includes $42,142,000 (2017: $44,300,000) and $28,229,000 (2017: $31,062,000) for the year ended 31 December 2018 relating to staff costs, depreciation and amortisation which amount is also included in the respective total amount disclosed separately above or in note 5(b) for each type of these expenses.*

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018	2017
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**35,292**	26,135
Current tax – Outside of Hong Kong		
Provision for the year	**47,649**	82,584
(Over)/under – provision, net in respect of prior years *(note)*	**(52,254)**	18
	30,687	108,737

Note: The Group's subsidiary E-Commodities Holdings Private Limited ("**E-Commodities Singapore**") was incorporated in Singapore. During the year ended 31 December 2018, local tax authorities confirmed that E-Commodities Singapore is eligible for the Global Trader Program Incentive which allows E-Commodities Singapore to benefit from a preferential income tax rate of 10% on its qualifying income for the period from 1 January 2016 to 31 December 2017 (statutory tax rate: 17%). Therefore, the Group reversed income tax payable of $51,852,000 during the year ended 31 December 2018.

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% (2017: 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% (2017: 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:

	2018	2017
	$'000	*$'000*
Profit before taxation	**923,713**	1,012,783
Notional tax on profit before taxation, calculated at the rates applicable to profit in the jurisdictions concerned	**201,622**	229,381
Tax effect of non-deductible expenses	**2,677**	977
Tax effect of utilisation of previously unrecognised tax losses	**(87,614)**	(106,225)
Tax effect of unused tax losses and other temporary differences not recognised	**(33,744)**	(15,414)
(Over)/under – provision in respect of prior years	**(52,254)**	18
Actual tax expense	**30,687**	108,737

7 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 $879,772,000 (2017: $904,742,000) and the weighted average number of ordinary shares of 3,075,964,000 ordinary shares (2017: 3,089,966,000 shares) in issue during the year ended 31 December 2018, calculated as follows:

Weighted average number of ordinary shares (basic):

	2018	2017
	'000	*'000*
Issued ordinary shares at 1 January	**3,157,299**	3,018,559
Effect of purchase of own shares *(note 13(b)(i))*	**(48,074)**	(21,993)
Effect of purchase of shares held by the employee share trusts*	**(33,261)**	(31,627)
Effect of shares issued for exclusive service agreement	**–**	81,804
Effect of shares issued for settlement of contingent value rights ("**CVRs**") *(note 13(b)(ii))*	**–**	43,223
Weighted average number of ordinary shares (basic) as at 31 December	**3,075,964**	3,089,966

* *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):

	2018	2017
	$'000	*$'000*
Profit attributable to ordinary equity shareholders	**879,772**	904,742
Effect of potential ordinary shares		
– convertible bonds	**16,007**	6,757
Profit attributable to ordinary equity shareholders (diluted)	**895,779**	911,499

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

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**3,075,964**	3,089,966
Effect of potential ordinary shares		
– convertible bonds	**384,108**	107,812
Weighted average number of ordinary shares (diluted) as at 31 December	**3,460,072**	3,197,778

8 OTHER INVESTMENTS IN EQUITY SECURITIES

	31 December 2018 *$'000*	1 January 2018 *$'000*	31 December 2017 *$'000*
Equity securities designated at FVOCI (non-recycling)			
– Unlisted equity securities	107,565	103,990	–
Available-for-sale financial assets			
– Unlisted equity securities, at cost	–	–	125,348
	107,565	103,990	125,348

Other investments in equity securities represent the Group's equity interests in third party companies engaged in coal mining, railway logistics, ports management and coal storage business. As at 31 December 2018, the Group holds equity interests in a range of 1-15% in these companies.

Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in those third party companies engaged in coal mining, railway logistics, ports management and coal storage business at FVOCI (non-recycling), as these investments are held for strategic purposes. Changes during the current period represented fair value adjustments on these equity securities based on adjusted net asset method.

9 OTHER NON-CURRENT/CURRENT ASSETS

	2018 ***$'000***	2017 *$'000*
Loan to a third party	**21,485**	79,373
Less: impairment losses	**–**	(79,373)
	21,485	–
Reconciliation to the consolidated statement of financial position:		
Current assets	**21,485**	–
Non-current assets	**–**	–
	21,485	–

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

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

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

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

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

During the year ended 31 December 2017, the Group recovered loan principal of US$5.34 million (equivalent to approximately $41,692,000) from Moveday, including an offsetting of the outstanding loan principal of US$0.73 million (equivalent to approximately $5,770,000) against the Group's payables.

During the year ended 31 December 2018, the directors of the Company continued their efforts to negotiate with Moveday for the repayment of the outstanding loan. As at 30 June 2018, the Group had recovered a further US$2.10 million (equivalent to approximately $16,162,000) of loan principal and during the second half of 2018 the Group recovered a further US $5.32 million (equivalent to approximately $41,726,000). As at 31 December 2018, in view of the continuous repayments from Moveday during the year, the directors of the Company believed that the outstanding loan balance of US$2.74 million (equivalent to approximately $21,485,000) as at 31 December 2018 could be fully recovered and have therefore reversed the remaining balance of the impairment provision. As a result of these events, in total a gain of $79,373,000 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

In January 2019, the Group has recovered all of the remaining loan principal of US$2.74 million (equivalent to approximately $21,485,000).

10 TRADE AND OTHER RECEIVABLES

	31 December 2018 *$'000*	1 January 2018 *$'000*	31 December 2017 *$'000*
Trade debtors and bills receivable, net of loss allowance *(note i)*	3,483,959	2,722,191	2,731,189
Other debtors	26,969	32,379	32,379
Financial assets measured at amortised cost	3,510,928	2,754,570	2,763,568
Deposits and prepayments	617,158	524,400	524,400
Other tax recoverable	155,564	64,000	64,000
Derivative financial instruments *(note ii)*	4,663	34,668	34,668
	4,288,313	3,377,638	3,386,636

Notes:

(i) Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade debtors and bills receivable (see note 2(c)(i))

(ii) As at 31 December 2018 and 31 December 2017, derivative financial instruments represented the fair value of commodity futures contracts entered into by the Group.

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

At 31 December 2018, bills receivable of the Group of $652,720,000 (31 December 2017: $233,202,000) have been pledged as collateral for the Group's borrowings.

At 31 December 2018, bills receivable of the Group of $1,282,687,000 (31 December 2017: $1,167,894,000) have been discounted to banks.

At 31 December 2018, bills receivable of the Group of $23,134,000 (31 December 2017: $nil) together with land use rights of $238,803,000 (31 December 2017: $1,054,000), restricted bank deposits of $46,014,000 (31 December 2017: $46,357,000) and property, plant and equipment of $nil (31 December 2017: $1,939,000) have been pledged as collateral for the Group's borrowings and bills payable (see note 11).

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	$'000	*$'000*
Within 3 months	**2,282,307**	1,844,822
3 to 6 months	**1,146,438**	612,834
6 to 12 months	**55,214**	273,533
	3,483,959	2,731,189

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.

11 TRADE AND OTHER PAYABLES

	2018	2017
	$'000	*$'000*
Trade and bills payables	**925,159**	379,650
Prepayments from customers	**229,220**	80,798
Payables in connection with construction projects	**32,573**	45,682
Payables for purchase of equipment	**25,104**	7,706
Payables for staff related costs*	**169,809**	176,827
Payables for other taxes	**172,465**	81,860
Others	**112,109**	141,765
	1,666,439	914,288

* *Included bonus payable to senior management amounting to approximately $97,461,000 (2017: $93,804,000).*

At 31 December 2018, bills payable amounting to $180,461,000 (31 December 2017: $224,306,000) together with bank loans amounting to $45,652,000 (31 December 2017: $nil) have been secured by restricted bank deposits with an aggregate carrying value of $46,014,000 (31 December 2017: $46,357,000), property, plant and equipment with an aggregate carrying value of $nil (31 December 2017: $1,939,000), land use rights with an aggregate carrying value of $238,803,000 (31 December 2017: $1,054,000), and bills receivable with an aggregate carrying value of $23,134,000 (31 December 2017: $nil).

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

	2018	2017
	$'000	*$'000*
Within 3 months	**883,505**	289,890
More than 3 months but less than 6 months	**31,596**	74,777
More than 6 months but less than 1 year	**88**	7,096
More than 1 year	**9,970**	7,887
	925,159	379,650

12 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	2018	2017
	$'000	*$'000*
At 1 January	**137,990**	128,972
Provision for the year *(note 6(a))*	**82,941**	108,719
(Over)/under – provision in respect of prior years *(note 6(a))*	**(52,254)**	18
Income tax paid	**(64,541)**	(101,626)
Exchange adjustments	**(4,219)**	1,907
At 31 December	**99,917**	137,990

(b) Deferred tax assets not recognised:

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 $1,145,102,000 and $736,995,000, respectively (2017: $1,674,132,000 and $872,312,000) as management of the Group considers that it is not possible as at 31 December 2018 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, the Group has not recognised deferred tax assets in respect of cumulative tax losses at 31 December 2018 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 $297,910,000, $207,656,000, $15,527,000, $141,319,000 and $74,583,000 will expire in five years after the tax losses generated under current tax legislation in 2019, 2020, 2021, 2022 and 2023, respectively.

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2018	2017
	$'000	*$'000*
Interim dividend declared and paid of $nil per ordinary share (2017: $0.038)	**–**	120,199
Final dividend proposed after the end of the reporting period of $0.072 per ordinary share (2017: $0.034)	**218,497**	106,144
	218,497	226,343

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.

	2018	2017
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.034 (2017: $0.077)	**106,058**	242,497

(b) Share capital

	2018	2017
	'000	*'000*
	No. of shares	No of shares
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

	2018		2017	
	No. of shares		No. of shares	
	'000	***$'000***	*'000*	*$'000*
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	**3,157,299**	**5,849,015**	3,018,559	5,681,512
Cancellation of repurchased shares *(note i)*	**(90,576)**	**(51,713)**	(18,408)	(15,390)
Shares issued for exclusive services agreement	**–**	**–**	93,017	105,108
Shares issued for settlement of CVRs *(note ii)*	**–**	**–**	64,131	77,785
At 31 December	**3,066,723**	**5,797,302**	3,157,299	5,849,015

Notes:

(i) Purchase of own shares

During the year ended 31 December 2018, the Company cancelled in aggregate of 90,576,000 of its own shares which were purchased from the open market in 2017 and 2018.

(ii) Shares issued for settlement of CVRs

Contingent value rights ("CVRs") referred to a one-off payment of US$10 million to the holders of the senior notes upon the occurrence of a triggering event that was the Company's adjusted profit before taxation in any of the 5 years from the issue date of the CVRs on 23 June 2016 exceeding US$100 million.

On 30 April 2017, 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) 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 persons (including a director, officer and full-time employee of the Company or its subsidiaries, and advisors and agents who provide value-added services to the Company or its subsidiaries) 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 2018, the Company granted certain RSU Awards in respect of an aggregate of 22,990,224 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 $15,664,000 based on the quoted price of the Company's shares on the grant date, of which $14,711,000 was credited to the employee share trusts based on the weighted average cost of the granted ordinary shares, and the balance of $953,000 was debited to the other reserve in accordance with the relevant accounting policy.

In addition, the Company has repurchased on-market in aggregate 13,884,000 of its own shares (2017: 48,420,000 shares) at a cash consideration of $7,987,000 (2017: $40,883,000) under the RSU Scheme during the year ended 31 December 2018.

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 2018.

Qualified Opinion

We have audited the consolidated financial statements of E-Commodities Holdings Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 7 to 111, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 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

In our auditor's reports on the Group's financial statements for the years ended 31 December 2016 and 31 December 2017, we reported a limitation in the scope of our audit relating to an impairment loss provision made against an outstanding loan due from Moveday Enterprises Limited ("**Moveday**"), as we were unable to obtain sufficient appropriate audit evidence to evaluate the reasonableness of the assumptions adopted by the directors of the Company in estimating the expected timing and amounts of future cash flows arising from the loan. These impairment provisions as 31 December 2016 and 31 December 2017 amounted to US$15.5 million (equivalent to approximately $120,260,000) and US$10.16 million (equivalent to approximately $79,373,000) respectively. These amounts represented full provision of the respective outstanding amounts due from Moveday as at those dates.

During the year ended 31 December 2017, the directors of the Company recovered loan principal of US$5.34 million (equivalent to approximately $41,692,000) from Moveday and recognised a gain on recovery of this amount in the consolidated statement of profit or loss. As we were unable to obtain sufficient appropriate audit evidence to complete our audit of the opening balance of the impairment provision as at 1 January 2017 or the closing balance of the impairment provision as at 31 December 2017, we were also unable to satisfy ourselves that the amounts recognised in the consolidated statement of profit or loss for the year ended 31 December 2017 were in accordance with the applicable accounting framework. We therefore expressed a qualified opinion in this regard in our report dated 22 March 2018.

As disclosed in note 20 to these financial statements, during the year ended 31 December 2018, the directors of the Company recovered a further amount of loan principal of US$7.42 million (equivalent to approximately $57,888,000) from Moveday and recognised a gain on recovery of this amount in the consolidated statement of profit or loss. The directors of the Company also reversed the remaining impairment provision of US$2.74 million (equivalent to approximately $21,485,000). In total a gain of $79,373,000 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2018 in respect of the recovery of the loan due from Moveday. In January 2019, the Group recovered the remaining loan principal of US$2.74 million (equivalent to approximately $21,485,000).

As a result of these events during 2018 and early 2019, we were able to satisfy ourselves in respect of the carrying amount of the outstanding amount due from Moveday of US$2.74 million (equivalent to approximately $21,485,000) as at 31 December 2018. However, in the absence of sufficient appropriate audit evidence in connection with the impairment loss provisions recognised as at 31 December 2016 and 31 December 2017, we are still unable to satisfy ourselves that the impairment provisions as at 31 December 2016 and 31 December 2017 were free from material misstatement.

Any change to the impairment provisions as at those dates would affect the profit for the years ended 31 December 2017 and 31 December 2018. Therefore, had we been able to complete our audit of the opening balances and corresponding amounts, matters might have come to our attention indicating that adjustments might be necessary to the consolidated statement of profit or loss for the year ended 31 December 2018 and in addition, the corresponding amounts for the year ended 31 December 2017 may not be comparable to the current period.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the British Virgin Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

CHAIRMAN STATEMENT

Dear shareholders and colleagues,

As we announce the annual results of E-Commodities Holdings Limited ("**E-Commodities**") for 2018, I would like to take the opportunity to express my heartfelt gratitude for your continued support over the years and confidence in our future development. We will strive to create more value for all of our stakeholders in the coming years.

In 2018, the Company continued to enjoy stable growth by entering into new markets and expanding into more categories of commodities. As a result, the Company recorded a net profit of HK$893 million, closely matching the strong results from the previous two years. The Company witnessed strong cooperation and synergies among its four major business segments, i.e. supply chain trading business, supply chain logistics, clean raw materials processing and internet intelligent platform.

The Company continues to put efforts into upgrading its logistics infrastructure and management methods in order to improve the efficiencies and reduce costs. Container transportation business is one of the key areas that the Company has been focusing on.

In 2018, according to the requirements of environmental protection policy, under the background that the State requires cargoes to be transported to and from the five major ports of Beijing, Tianjin and Hebei by railway, but not by highway, ("highway-to-railway"), and that the State has been vigorously promoting the cargoes transported in bulk to be transported in containers ("in bulk-to-in container"), our Company has conformed to the national policy and enlarged the container transportation business in its supply chain logistics sector. Through the use of special containers as carriers, the Company has succeed to transport cargoes in bulk by containers. In such transport process, the cargoes were loaded in pitheads and unloaded to other containers at their destinations. In the whole transportation process, there was no material spillage and dust pollution problems in coal transportation, loading and unloading, and warehousing were fully solved. At the same time, it also had such advantages as reducing cargo damage, achieving real-time positioning, cargo tracing, pendulum transportation and multimodal transportation.

Based on the Company's advanced washing and processing technology and washing capacity, the Company also provided customers with value-added services through adding clean raw materials processing segment. We actively cooperated with domestic and foreign mine owners to provide customers with clean raw materials that meet both environmental protection requirements and coking requirements.

The Company also launched the Yee-Link platform. The goal is for the Company to become an expert in intelligent logistics for the commodity field. The Company has established dynamic electronic accounts to track in real-time its vehicles, cargoes and personnel. The Company has also set up a standard asset management system, improved and optimised the management and operation process for real-time monitoring of each control area and effective control over its business processing, and has achieved resource leveling within the organisation and regulated supply and demand. The Yee-Link platform combines the Internet of Things and professional supply chain service capabilities with advanced scientific and technological means to create a new commodity supply chain ecology. Its vision is to build an intelligent and collaborative supply chain platform. It will, from an application perspective, provide online and offline solutions for cargo owners, logistics companies, drivers, logistics parks, regulatory bodies, financial institutions and other parties in the commodity field.

We are pleased to recommend to shareholders a final dividend in cash of HK$0.072 per share, which is a third year of continuous dividend payment as a direct return to shareholders who have given us long-term support.

We are confident in the Company's operation and development in 2019. For supply chain trading segment, we will continue the Company's commodity trading to provide sales and purchases services of commodities, such as, coal, iron ore, nonferrous metal and petrochemical products to upstream and downstream customers. For supply chain logistics segment, we will further enlarge the container transportation business. For clean raw materials processing segment, we will further utilize our resources to provide coal washing and blending services for more clients. For the internet intelligence platform segment, we are committed to building it into the expert in intelligent logistics for the commodity field. We will continue to improve efficiency, reduce costs, control risks and make investment prudently to create greater value and return for shareholders who have given us long-term trust and support.

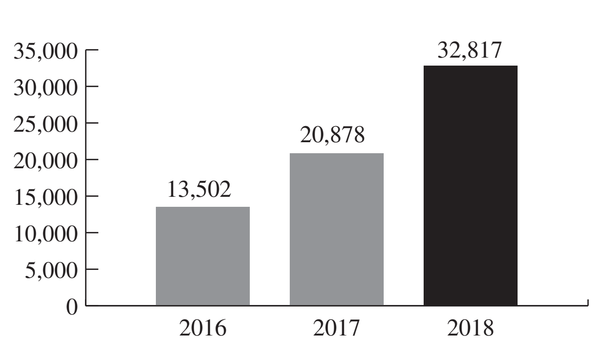
Cao Xinyi
Chairman
E-Commodities Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

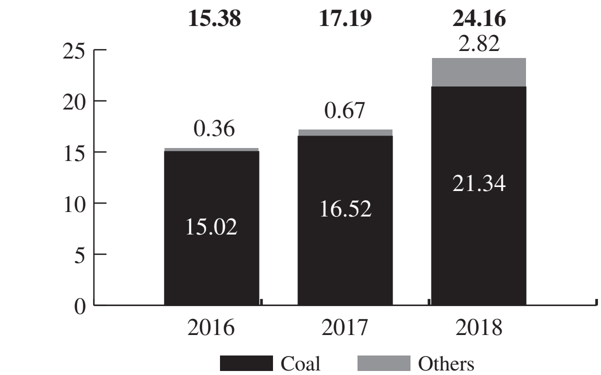
The following discussion and analysis should be read in conjunction with the Group's financial information and the notes thereto. The Group's financial information have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

I. Overview

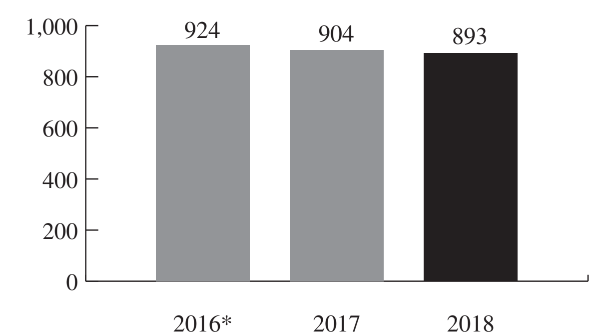
Revenue *(in HK$ million)*



Supply Chain Trading Volume *(million tonnes)*

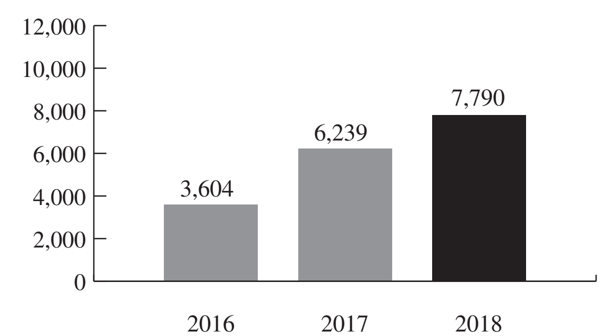


Net Profit *(in HK$ million)*

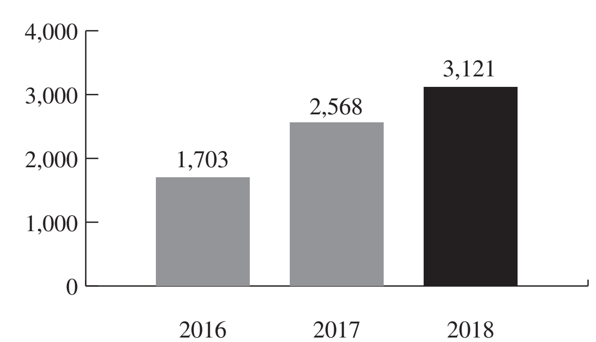


* In 2016, net profit was HK$2,872 million, excluding the gain on debt restructing, adjusted net profit in 2016 was HK$924 million.

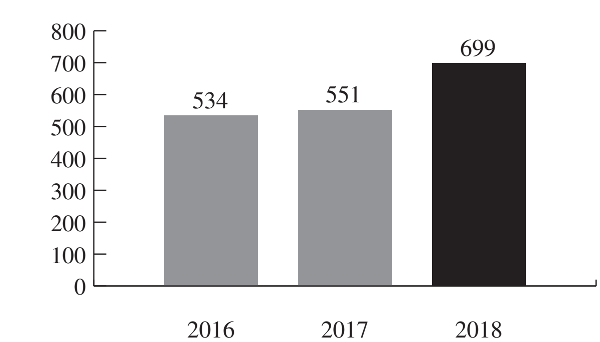
Total Assets *(in HK$ million)*



Total Equity *(in HK$ million)*



Cash Balance *(in HK$ million)*



II. Financial Review

1. Revenue Overview

In 2018, E-Commodities Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") recorded consolidated sales revenue of HK$32,817 million, a 57.18% increase compared to HK$20,878 million in 2017. The increase is primarily attributable to the increases in our supply chain trading business. In 2018, our supply chain trading volume was 24.16 million tonnes, a 40.55% increase compared to 17.19 million tonnes in 2017. In 2018, our supply chain trading revenue for coal products was HK$28,029 million, accounting for approximately 85.41% of our total sales revenue of 2018.

Supply Chain Trading

This segment generates income by providing supply chain trading services to our end customers, covering diversified commodities including, among others, coal products, oil and petrochemical products, iron ore, nonferrous metals and coke. For the year of 2018, revenue from supply chain trading also included added value by rendering warehousing, coal processing and internal logistics, which is not yet separable from supply chain trading revenue. In 2018, our supply chain trading business segment together with integrated logistics and coal processing services contributed the majority of our total revenue, which was HK$32,639 million representing approximately 99.46% of the total sales revenue.

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

	2018	2017
	HK$'000	*HK$'000*
Disaggregated by major products of service lines		
– Coal	**28,028,521**	19,428,312
– Oil and petrochemical products	**3,004,972**	846,104
– Iron ore	**1,228,312**	273,578
– Nonferrous metals	**351,070**	226,160
– Rendering of logistics services	**133,702**	94,344
– Coke	**26,028**	–
– Others	**44,851**	9,461
	32,817,456	20,877,959

In 2018, approximately 85.41% of sales revenue was generated from the sales of coal, compared to approximately 93.06% in 2017.

In 2018, sales revenue generated from the sales of oil and petrochemical products and iron ore represented 9.16% and 3.74% of the total sales revenue, compared to 4.05% and 1.31%, respectively in 2017.

In 2018, the Group also expanded its geographic coverage of business to include Turkey, India, South Korea, America, Indonesia and others. Approximately HK$3,225 million of sales were generated from outside of the PRC, a 94.75% increase compared to HK$1,656 million in 2017.

	2018	2017
	HK$'000	*HK$'000*
The PRC (including Hong Kong and Macau)	**29,592,066**	19,221,864
Turkey	**1,423,596**	550,050
India	**911,143**	–
South Korea	**668,714**	173,605
America	**114,760**	–
Indonesia	**95,541**	–
Japan	**–**	711,167
Others	**11,636**	221,273
	32,817,456	20,877,959

In 2018, we successfully expanded our sales network to a more national-based spread.

In 2018, the sales revenue from our top five customers accounted for 42.02% of our total sales, whereas the same ratio was 43.70% in 2017. These customers are mainly large-scale, state-owned steel groups throughout China, and the largest steel company in Turkey, all being leading companies in the industry.

Supply Chain Logistics

Our supply chain logistics segment mainly provides warehousing and logistics services for our supply chain trading business and third parties services similar to integration of trading were recorded in supply chain trading. In 2018, this segment generated revenue of HK$134 million, representing a 42.55% increase compared to HK$94 million in 2017, which was generated by providing warehousing and logistics services for third parties.

Clean Raw Materials Processing

Our clean raw materials processing segment provides coal washing and processing services for our supply chain trading business and third parties. The Group has advanced technology of coal washing and processing which ensure our products not only reach the government environment protection standards, but also meet the requirements of steel mills for clean raw materials. In 2018, this segment contributed revenue of HK$34 million and gross profit of HK$7 million by providing services for third parties.

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 Internet of things and many other technologies.

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

COGS primarily consists of the purchase price, transportation costs, and processing costs. COGS in 2018 was HK$31,202 million, which was a 63.73% increase compared to HK$19,057 million in 2017, mainly due to the increased sales volume. The procurement costs include goods purchase price and transportation costs from overseas to the border crossing or ports in the relevant countries where the customers are located.

Procurement	**2018**		2017	
	procurement volume	**procurement amounts**	procurement volume	procurement amounts
	'000 tonnes	***HK$'000***	*'000 tonnes*	*HK$'000*
Coal	**22,289**	**26,527,543**	16,184	16,709,151
Oil and petrochemical products	**436**	**2,986,288**	171	821,559
Nonferrous metals	**15**	**338,239**	11	233,035
Iron ore	**2,246**	**1,169,240**	639	341,519
Coke	**10**	**26,034**	–	–
	24,996	**31,047,344**	17,005	18,105,264

In 2018, total procurement amount was HK$31,047 million, of which, the top five suppliers accounted for 40.32%. No director of the Company or their close associates (as defined under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), or shareholders of the Company owning 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$1,615 million in 2018, compared to a gross profit of HK$1,821 million recorded in 2017. The decrease in gross profit was mainly due to lower profitability per tonne of coking coal while we targeted an increase in volume in 2018, and a moderately lower profit target due to expansion into other non-coking coal commodities.

4. *Distribution Costs*

Distribution costs were HK$195 million in 2018, which was a 34.12% decrease compared to HK$296 million in 2017. Distribution costs include fees and charges incurred for supply chain trading and related logistics and transportation costs.

5. Administrative Expenses

Administrative expenses were HK$445 million in 2018, an increase of 17.72% over HK$378 million of administrative expenses incurred in 2017. This increase was mainly due to business growth, which led to increases in staff costs and company running expenses.

	2018	2017
	HK$'000	*HK$'000*
Staff costs*	**321,541**	290,196
Reversal of provision for impairment losses on trade and other receivables	**(83,243)**	(80,834)
Others	**206,408**	168,183
	444,706	377,546

* For the year ended 31 December 2018, staff-related expenses of the Group included a bonus of approximately HK$151 million, of which HK$131 million was paid to the business sector teams, and the remaining HK$20 million was paid to the functional management team. The following factors were considered in determining the bonus, business pre-tax profit made by each business sector team, individual performance and overall profit of the Company. A certain proportion of the business pre-tax profit made by each business sector team is appropriated for use as bonus. The proportion was determined by reference to the incentive schemes of similar companies in the market, and with the aim of boosting performance so as to maintaining team stability and morale, and ensuring that the Company is competitive enough in the market to retain outstanding employees and management team.

6. Net Finance Costs

In 2018, the Group recorded net finance costs of HK$193 million in total, compared to net finance costs of HK$149 million in 2017. The increase in finance income is mainly due to the gains from changes in the fair value of 5% convertible bonds in an aggregate principal amount of US$ 40 million issued by the Company on 14 September 2017 (the "**Convertible Bonds**"). The increase in finance costs is mainly due to the increased interest accrued on the Convertible Bonds, discounted bills receivable, secured loan, factoring and finance charges from letters of credit.

Net finance costs

	2018	2017
	HK$'000	*HK$'000*
Interest income on financial assets measured at amortised cost	**(5,492)**	(3,275)
Changes in fair value on conversion option embedded in convertible bonds and warrants	**(36,311)**	(3,422)
Finance income	**(41,803)**	(6,697)
Interest on secured bank and other loans	**65,466**	50,370
Interest on discounted bills receivable	**87,409**	77,003
Finance charges on obligations under finance leases	**1,156**	577
Interest on Convertible Bonds	**43,000**	12,251
Total interest expense	**197,031**	140,201
Bank charges	**22,577**	9,503
Foreign exchange loss, net	**15,539**	6,089
Finance costs	**235,147**	155,793
Net finance costs	**193,344**	149,096

7. *Net profit and earnings per share*

Our net profit was HK$893 million in 2018, compared to net profit of HK$904 million in 2017.

Basic earnings per share were HK$0.286 in 2018, compared to basic earnings per share of HK$0.293 in 2017. Diluted earnings per share were HK$0.259 in 2018, compared to diluted earnings per share of HK$0.285 in 2017.

8. *Other Non-Current/Current Assets*

	2018	2017
	HK$'000	*HK$'000*
Loan to a third party	**21,485**	79,373
Less: impairment losses	**–**	(79,373)
	21,485	–
Reconciliation to the consolidated statement of financial position:		
Current assets	**21,485**	–
Non-current assets	**–**	–
	21,485	–

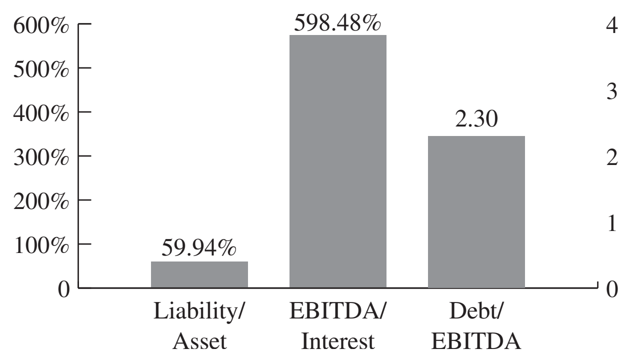
During the year ended 31 December 2018, the directors of the Company continued their efforts to negotiate with Moveday for the repayment of the outstanding loan. The Group recovered loan principal of US$7.42 million (equivalent to approximately HK$57,888,000) from Moveday. As at 31 December 2018, in view of the further repayment from Moveday during the year, the directors of the Company believed that the outstanding loan balance of US$2.74 million (equivalent to approximately HK$21,485,000) as at 31 December 2018 could be fully recovered and have therefore reversed the remaining balance of the impairment provision. As a result of these events, in total a gain of HK$79,373,000 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

In January 2019, the Group recovered all of the remaining loan principal of US$2.74 million (equivalent to approximately HK$21,485,000).

9. *Indebtedness and Liquidity*

The total amount of bank loans owed by the Group at the end of 2018 was HK$2,432 million. Interest rates on these loans range from 3.03% to 10.45% per annum, whereas the range in 2017 was from 1.96% to 7.84%. The Group's gearing ratio at the end of 2018 was 59.94%, which was a slight increase compared to 58.83% at the end of 2017. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.

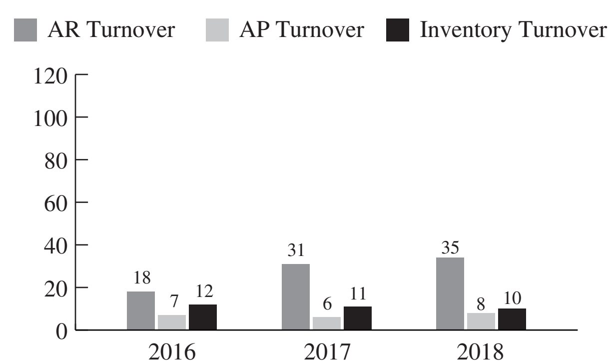
Indebtedness and Liquidity



10. *Working Capital*

Our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 35 days, 8 days, and 10 days, respectively, in 2018. As a result, the overall cash conversion cycle was approximately 37 days in 2018, which was the same as the Group's cash conversion cycle realised in 2017.

Working Capital



11. Contingent Liabilities

The Company's existing subsidiaries, namely Glorious Gold Holdings Limited, Million Super Star Limited, E-Commodities Japan Co., Ltd.* (株式会社イー·コモディティーズジャパン), E-Commodities Holdings Private Limited, E-Commodities (HK) Holdings Limited, Cheer Top Enterprises Limited, Legend York Star Limited, Color Future International Limited, Standard Rich Inc Limited, King Resources Holdings Limited, Eternal International Logistics Limited, Royce Petrochemicals Limited and E-Commodities International Development(HK) Limited, have provided guarantees for the Convertible Bonds and the 118,060,606 units of warrants (the "**Warrants**") issued on 14 September 2017. The guarantees will be released upon the full and final payment and performance of all obligations of the Company under the Convertible Bonds and Warrants.

12. Pledge of Assets

At 31 December 2018, bank loans amounting to HK$682,843,000 (31 December 2017: HK$504,609,000) have been secured by bills receivable with an aggregate carrying value of HK$652,720,000 (31 December 2017: HK$208,678,000) and bank deposits with an aggregate carrying value of HK$102,717,000 (31 December 2017: HK$316,656,000)。

At 31 December 2018, bank loans amounting to HK$1,282,687,000 (31 December 2017: HK$1,167,894,000) have been secured by bills receivables with an aggregate carrying value of HK$1,282,687,000 (31 December 2017: HK$1,167,894,000).

At 31 December 2018, bank loans amounting to HK$317,919,000 (31 December 2017: HK$366,118,000) have been secured by property, plant and equipment with an aggregate carrying value of HK$25,272,000 (31 December 2017: HK$nil), land use rights with an aggregate carrying value of HK$56,954,000 (31 December 2017: HK$319,055,000) and bills receivable with an aggregate carrying value of HK$nil (31 December 2017: HK$24,524,000).

At 31 December 2018, bank loans amounting to HK$102,717,000 (31 December 2017: HK$35,889,000) have been secured by credit guarantee with an aggregate amount of HK$102,717,000 (31 December 2017: HK$35,889,000) provided by subsidiaries of the Group.

At 31 December 2018, bank loans amounting to HK$45,652,000 (31 December 2017: HK$nil) together with bills payable amounting to HK$180,461,000 (31 December 2017: HK $224,306,000) have been secured by restricted bank deposits with an aggregate carrying value of HK$46,014,000 (31 December 2017: HK$46,357,000), property, plant and equipment with an aggregate carrying value of HK$nil (31 December 2017: HK$1,939,000), land use rights with an aggregate carrying value of HK$238,803,000 (31 December 2017: HK$1,054,000), and bills receivable with an aggregate carrying value of HK$23,134,000 (31 December 2017: HK$nil).

13. *Cash Flow*

In 2018, our operating cash inflow was HK$113 million compared to HK$393 million cash outflow during the same period last year. The low net cash inflow of operating activities was mainly due to HK$503 million net cash received from discounted bills receivable with recourse rights and loans pledged with bills receivable, both of which have been accounted as financing activities, though the bills receivables were received from sales.

In 2018, the Group received a cash inflow from investing activities of HK$24 million compared to HK$690 million cash outflow during 2017. The cash inflow from investing activities in 2018 was generated mainly from a decrease in restricted bank deposits.

The Group had a cash inflow from financing activities of HK$33 million in 2018 compared to a HK$1,090 million cash inflow from financing activities in 2017. The difference was 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 2018, HK$503 million was net cash received from discounted bills receivable with recourse rights and loans pledged with bills receivable.

In supply chain trading activities, bank acceptance bills and letter of credit payments are common payment methods. The Company discounted such bills and pledged the bills against loans before they expired, but according to applicable accounting standards, such cashflows were classified as financing cashflows and were counted as liabilities. Therefore, they affected the Company's gearing ratio and cashflows on the accounting statement date. In order to more intuitively show the company's business and assets, the impact of these changes is analysed as follows:

	2018(1)	**Adjustments**	**Adjusted 2018**(2)
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents at 1 January	550,615		550,615
Net cash generated from operating activities	113,381	502,659	616,040
Net cash generated from investing activities	23,561		23,561
Net cash generated from/(used in) financing activities	33,121	(502,659)	(469,538)
Effect of foreign exchange rate changes	(21,317)		(21,317)
Cash and cash equivalents at 31 December	699,361		699,361

Note:

(1) *Derived from consolidated cash flow statement of the Group's financial report.*

(2) *Illustrative purpose only.*

III. Working Capital and Financial Policy

The Group managed its funds by pre-planning and real-time monitoring measures. The Group raised funds through business activities, discount of notes receivable, factoring of accounts receivable, banking facilities from domestic and overseas banks, and bond financing, so as to ensure the expenditure for business operation, loan repayment and capital expenditure. In 2018, the Group's main financing methods were notes receivable, discounted letters of credit and banking facilities.

The Group has always adopted a prudent and stable fund management methods. Internally, by managing the amount of funds occupation quota of each business department, we supervised the business departments to reduce the level of inventory, prepaid accounts and receivables, and demanded advance from customers when selling products and services, so as to improve the turnover rate of funds and reduce the daily working capital of the business. We actively opened up new financing channels. In 2018, we has increased the factoring amount of accounts receivable. Payment by financing leasing was given priority in capital expenditure.

As the main currencies of the Company's business and operation were U.S. dollars and RMB, for the business for which purchases made in U.S. dollars and sales made in RMB, the Company paid a close attention to the RMB exchange rate. In the trend of RMB devaluation, the Company used foreign exchange derivatives to avoid exchange rate fluctuation risks and lock in business profits.

IV. Risk Factors

The operation of the Group involves certain risks, some of which are beyond our control. The risks set out below are those that 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 2018, the revenue of the Company was mainly generated from supply chain trading services of coking coal products, which 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. In 2018, prices of steel products remained high, 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 in prior debt restructuring, the Group made great efforts to maintain existing financing facilities and expand 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

Over 35.23% of the Group's revenue in 2018 was denominated in Renminbi. Over 81.17% of the Group's purchase costs, and some of our operating expenses, are denominated in US dollars. Fluctuations in exchange rates may adversely affect the value of the Group's net assets, earnings or any declared dividends as Renminbi is translated or converted into US dollars or Hong Kong dollars. 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.

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.

V. 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 2018, there were 264 full-time employees in the Group (excluding 700 dispatch staff from domestic subsidiaries). Due to business growth, there was an approximately 12.88% head count increase in 2018. The breakdown of employee categories is as follows:

	2018		2017	
Functions	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Management, Administration & Finance	**83**	**31%**	143	56%
Front-line Production & Production Support & Maintenance	**44**	**17%**	43	17%
Sales & Marketing	**93**	**35%**	55	22%
Others (incl. Projects, Coal Washing Plant, Transportation)	**44**	**17%**	13	5%
Total	**264**	**100%**	254	100%

2. Employee Education Overview

	2018		2017	
Qualifications	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Master & above	**41**	**16%**	48	19%
Bachelor	**104**	**39%**	103	41%
Diploma	**42**	**16%**	49	19%
High-School, Technical School & below	**77**	**29%**	54	21%
Total	**264**	**100%**	254	100%

3. Training Overview

The Group considers training to be an invaluable process to provide employees with information, new skills, and professional development opportunities. During the year ended 31 December 2018, the Company held various training programs totaling 439 hours, and over 3,131 attendances were recorded for 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, briefing about 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

	2018		2017	
Training Courses	**No. of hours**	**No. of participants**	No. of hours	No. of participants
Safety	**120**	**2,512**	750	558
Management & Leadership	**245.5**	**459**	715	344
Operation Excellence	**73.5**	**160**	401	146
Total	**439**	**3,131**	1,866	1,048

VI. Health, Safety and Environment

The Company attaches great importance to the health and safety of employees and understands the importance of environment protection. The Lost Time Injury Frequency Rate (LTIFR), Fatality Incident Rate (FTIR) and Total Recordable Case Frequency (TRCF) are key indicators to measure how we achieve our commitment. No casualties, environmental accidents or occupational health and safety accidents occurred in 2018.

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

As at 31 December 2018, the Company had a total of 3,066,722,356 shares in issue. The Company repurchased a total of 55,152,000 shares of the Company on the Stock Exchange during the year ended 31 December 2018 pursuant to the repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 27 June 2018. Such repurchased shares have already been cancelled and the total number of shares in issue has been reduced accordingly.

VIII. Final Dividends

A final dividend in cash of HK$0.072 per share, totalling approximately HK$218 million, has been declared for the year ended 31 December 2018. 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 Wednesday, 31 July 2019. The dates for closure of the register of members of the Company for ascertaining shareholders' entitlements to the final dividend will be further announced.

IX. Compliance With the Code on Corporate Governance Practices

Throughout the year ended 31 December 2018, the Company complied with the code provisions (the "**Code Provisions**") under the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules. The Company fully complied with all the Code Provisions throughout the year ended 31 December 2018.

X. Model Code for Securities Transactions by Directors of the Company

The Company has 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 of the Company (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 year of 2018.

XI. Review of Annual Results

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2018.

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 year ended 31 December 2018 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, 28 March, 2019

As at the date of this announcement, the executive directors of the Company are Ms. Cao Xinyi, Mr. Wang Wengang, Mr. Wang Yaxu and Mr. Li Jianlou, 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.

* *For identification purpose only*