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 2019

FINANCIAL HIGHLIGHTS

1. Revenue of the Group from operations in 2019 was HK$30,052 million, representing a 8.43% decrease over revenue in 2018 of HK$32,817 million.

2. Net profit in 2019 was HK$313 million.

3. Profit attributable to equity shareholders of the Company in 2019 was HK$312 million.

4. Basic earnings per share were HK$0.103 in 2019, compared to basic earnings per share of HK$0.286 in 2018.

5. Diluted earnings per share were HK$0.097 in 2019, compared to diluted earnings per share of HK$0.259 in 2018.

6. No dividend was declared for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	**2019**	2018
			(note)
	Note	***$'000***	*$'000*
Revenue	*3*	**30,051,788**	32,817,456
Cost of sales		**(28,835,112)**	(31,202,391)
Gross profit		**1,216,676**	1,615,065
Other revenue	*4*	**28,330**	3,838
Distribution costs		**(252,816)**	(195,052)
Administrative expenses		**(431,280)**	(444,706)
Other operating (expenses)/income, net	*5*	**(65,837)**	60,103
Reversal of impairment of non-current assets	*6(c)*	**15,800**	79,373
Profit from operations		**510,873**	1,118,621
Finance income		**46,684**	41,803
Finance costs		**(243,624)**	(235,147)
Net finance costs	*6(a)*	**(196,940)**	(193,344)
Share of profits/(losses) of associates	*10*	**11,115**	(1,564)
Share of losses of joint ventures		**(90)**	–
Profit before taxation		**324,958**	923,713
Income tax	*7*	**(12,155)**	(30,687)
Profit for the year		**312,803**	893,026
Profit attributable to:			
Equity shareholders of the Company		**312,404**	879,772
Non-controlling interests		**399**	13,254
Profit for the year		**312,803**	893,026
Earnings per share	*8*		
Basic (HK$)		**0.103**	0.286
Diluted (HK$)		**0.097**	0.259

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the 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 2019
(Expressed in Hong Kong dollars)

	2019	2018
		(note)
	$'000	*$'000*
Profit for the year	**312,803**	893,026
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)	**(2,846)**	(4,459)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(60,178)**	(155,685)
Other comprehensive income for the year	**(63,024)**	(160,144)
Total comprehensive income for the year	**249,779**	732,882
Total comprehensive income attributable to:		
Equity shareholders of the Company	**248,022**	721,510
Non-controlling interests	**1,757**	11,372
Total comprehensive income for the year	**249,779**	732,882

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019

(Expressed in Hong Kong dollars)

	Note	**At 31 December 2019** **$'000**	At 31 December 2018 *(note)* $'000
Non-current assets			
Property, plant and equipment, net		**657,682**	489,933
Right-of-use assets	*9*	**738,014**	–
Construction in progress		**81,624**	69,486
Lease prepayments	*2(c)*	**–**	442,052
Intangible assets		**103,494**	110,312
Interest in associates	*10*	**1,116,007**	11,371
Interest in joint ventures		**16,656**	–
Other investments in equity securities		**103,355**	107,565
Deferred tax assets	*16(b)*	**14,531**	–
Total non-current assets		**2,831,363**	1,230,719
Current assets			
Inventories		**1,387,414**	1,104,851
Trade and other receivables	*12*	**3,458,941**	4,288,313
Receivables under finance leases		**–**	1,992
Restricted bank deposits		**941,928**	443,596
Cash and cash equivalents		**702,915**	699,361
Other current assets	*11*	**–**	21,485
Total current assets		**6,491,198**	6,559,598
Current liabilities			
Secured bank loans		**2,887,531**	2,339,373
Trade and other payables	*13*	**2,058,552**	1,666,439
Other interest-bearing borrowings	*14*	**605,788**	–
Lease liabilities	*15*	**78,160**	16,651
Income tax payable	*16(a)*	**72,088**	99,917
Convertible bonds payables		**237,502**	316,580
Total current liabilities		**5,939,621**	4,438,960
Net current assets		**551,577**	2,120,638
Total assets less current liabilities		**3,382,940**	3,351,357

	Note	At 31 December 2019 $'000	At 31 December 2018 (note) $'000
Non-current liabilities			
Secured bank loans		**–**	92,445
Lease liabilities	*15*	**116,276**	7,973
Deferred income		**124,930**	129,815
Total non-current liabilities		**241,206**	230,233
NET ASSETS		**3,141,734**	3,121,124
CAPITAL AND RESERVES			
Share capital		**5,789,362**	5,797,302
Reserves		**(2,527,970)**	(2,551,921)
Total equity attributable to equity shareholders of the Company		**3,261,392**	3,245,381
Non-controlling interests		**(119,658)**	(124,257)
TOTAL EQUITY		**3,141,734**	3,121,124

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the 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.

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 2019 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in associates and joint ventures.

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:

– Investments 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$.

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

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

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to offices and motor vehicles.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 7.14%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

– the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	$'000
Operating lease commitments at 31 December 2018	41,346
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(148)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	563
Less: total future interest expenses	(11,643)
Present value of lease payments, discounted using the incremental borrowing rate at 1 January 2019	30,118
Add: finance lease liabilities recognised as at 31 December 2018	24,624
Total lease liabilities recognised at 1 January 2019	54,742

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "**obligations under finance leases**", these amounts are included within "**lease liabilities**", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *$'000*	**Capitalisation of operating lease contracts** *$'000*	**Carrying amount at 1 January 2019** *$'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment, net	489,933	(35,469)	454,464
Right-of-use assets	–	508,630	508,630
Lease prepayments	442,052	(442,052)	–
Total non-current assets	**1,230,719**	**31,109**	**1,261,828**
Trade and other receivables	4,288,313	(991)	4,287,322
Total current assets	**6,559,598**	**(991)**	**6,558,607**
Lease liabilities (current)	16,651	12,607	29,258
Total current liabilities	**4,438,960**	**12,607**	**4,451,567**
Net current assets	**2,120,638**	**(13,598)**	**2,107,040**
Total assets less current liabilities	**3,351,357**	**17,511**	**3,368,868**
Lease liabilities (non-current)	7,973	17,511	25,484
Total non-current liabilities	**230,233**	**17,511**	**247,744**
Net assets	**3,121,124**	**–**	**3,121,124**

c. *Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				**2018**
	Amounts reported under IFRS 16	**Add back: IFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating leases as if under IAS 17** *(note 1)*	**Hypothetical amounts for 2019 as if under IAS 17**	**Compared to amounts reported for 2018 under IAS 17**
	(A)	**(B)**	**(C)**	**(D=A+B+C)**	
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**510,873**	**15,277**	**(17,747)**	**508,403**	**1,118,621**
Net finance costs	(196,940)	2,657	–	(194,283)	(193,344)
Profit before taxation	**324,958**	**17,934**	**(17,747)**	**325,145**	**923,713**
Profit for the year	**312,803**	**17,934**	**(17,747)**	**312,990**	**893,026**
Reportable segment profit (adjusted EBITDA) for the year ended 31 December 2019 (note 3(b)) impacted by the adoption of IFRS 16:					
– Processing and trading of coal and other products	599,293	17,934	(17,747)	599,480	987,890
– Logistics services	12,817	–	–	12,817	27,121

	2019			2018
	Amounts reported under IFRS 16	**Estimated amounts related to operating leases as if under IAS 17** *(notes 1 & 2)*	**Hypothetical amounts for 2019 as if under IAS 17**	**Compared to amounts reported for 2018 under IAS 17**
	(A)	**(B)**	**(C=A+B)**	
	$'000	*$'000*	*$'000*	*$'000*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Net cash generated from operating activities	**1,386,680**	**(15,034)**	**1,371,646**	**113,381**
Capital element of lease rentals paid	(47,106)	12,377	(34,729)	(10,692)
Interest element of lease rentals paid	(7,542)	2,657	(4,885)	(1,156)
Net cash used in financing activities	**562,393**	**15,034**	**577,427**	**33,121**

Note 1: The "**estimated amounts related to operating leases**" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

d. *Lessor accounting*

The Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

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:

	2019	2018
	$'000	*$'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Coal	**26,291,787**	28,028,521
– Oil and petrochemical products	**2,061,981**	3,004,972
– Iron ore	**1,024,083**	1,228,312
– Nonferrous metals	**423,871**	351,070
– Rendering of logistics services	**184,301**	133,702
– Coke	**27,839**	26,028
– Others	**37,926**	44,851
	30,051,788	32,817,456

Among the Group's revenue from the trading of coal and other products, $1,524,784,000 (2018: $2,629,944,000) 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.

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 one customer which amounted to approximately $3,262,001,000 (2018: two customers which amounted to approximately $5,291,063,000 and $3,368,086,000 respectively) 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 factories 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.

(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 deferred tax assets. Segment liabilities include all the liabilities with the exception of income tax payables.

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. Segment profit includes the Group's share of profit arising from the activities of the Group's associates and joint ventures. However, other than reporting inter-segment sales of coal and other products and logistics services, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit is "**adjusted EBITDA**" i.e. "**adjusted earnings before interest, taxes, depreciation and amortisation**", where "**interest**" is regarded as including investment income.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning inter-segment sales, the Group's share of associates and joint ventures, 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 2019 and 2018 is set out below.

	Processing and trading of coal and other products		Logistics services		Total	
	2019	2018	**2019**	2018	**2019**	2018
		(note)		*(note)*		*(note)*
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Disaggregated by timing of revenue recognition						
Point in time	**29,867,487**	32,683,754	**–**	–	**29,867,487**	32,683,754
Over time	**–**	–	**184,301**	133,702	**184,301**	133,702
Revenue from external customers	**29,867,487**	32,683,754	**184,301**	133,702	**30,051,788**	32,817,456
Inter-segment revenue	**–**	–	**114,612**	22,104	**114,612**	22,104
Reportable segment revenue	**29,867,487**	32,683,754	**298,913**	155,806	**30,166,400**	32,839,560
Reportable segment profit (adjusted EBITDA)	**599,293**	987,890	**12,817**	27,121	**612,110**	1,015,011
Interest income	**23,618**	4,959	**696**	533	**24,314**	5,492
Interest expense	**(183,078)**	(187,954)	**(10,974)**	(9,077)	**(194,052)**	(197,031)
Depreciation and amortisation	**(92,316)**	(57,721)	**(16,583)**	(2,849)	**(108,899)**	(60,570)
Reversal of impairment of non-current assets	**15,800**	79,373	**–**	–	**15,800**	79,373
Reversals of impairment losses/(impairment losses) on trade and other receivables	**2,900**	83,932	**(13)**	(689)	**2,887**	83,243
Reportable segment assets (including interest in associates and joint ventures)	**8,563,296**	7,899,860	**1,259,136**	175,129	**9,822,432**	8,074,989
Additions to non-current segment assets during the year	**242,759**	376,988	**379,369**	2,508	**622,128**	379,496
Reportable segment liabilities	**5,852,727**	4,504,549	**770,414**	349,399	**6,623,141**	4,853,948

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

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

	2019	2018
	$'000	*$'000*
Revenue		
Reportable segment revenue	**30,166,400**	32,839,560
Elimination of inter-segment revenue	**(114,612)**	(22,104)
Consolidated revenue	**30,051,788**	32,817,456

	2019	2018
		(note)
	$'000	*$'000*
Profit		
Reportable segment profit	**612,110**	1,015,011
Depreciation and amortisation	**(108,899)**	(60,570)
Reversal of impairment of non-current assets	**15,800**	79,373
Reversals of impairment losses on trade and other receivables	**2,887**	83,243
Net finance costs	**(196,940)**	(193,344)
Consolidated profit before taxation	**324,958**	923,713

	At 31 December 2019	At 31 December 2018 *(note)*
	$'000	*$'000*
Assets		
Reportable segment assets	**9,822,432**	8,074,989
Deferred tax assets	**14,531**	–
Elimination of inter-segment receivables	**(514,402)**	(284,672)
Consolidated total assets	**9,322,561**	7,790,317
Liabilities		
Reportable segment liabilities	**6,623,141**	4,853,948
Income tax payable	**72,088**	99,917
Elimination of inter-segment payables	**(514,402)**	(284,672)
Consolidated total liabilities	**6,180,827**	4,669,193

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

(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 and deferred tax assets ("**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 and interests in joint ventures.

	Revenues from external customers		**Specified non-current assets**	
	2019	2018	**2019**	2018 *(note)*
	$'000	*$'000*	***$'000***	*$'000*
The PRC (including Hong Kong, Macau and Taiwan)	**27,130,916**	29,592,066	**2,515,996**	1,076,514
South Korea	**1,025,446**	668,714	**–**	–
Turkey	**792,657**	1,423,596	**–**	–
India	**675,471**	911,143	**–**	–
Poland	**154,290**	–	**–**	–
Brazil	**85,719**	–	**–**	–
Indonesia	**77,022**	95,541	**–**	–
Mongolia	**57,552**	–	**149,415**	2,928
Japan	**31,128**	–	**25,760**	23,078
America	**–**	114,760	**–**	–
Others	**21,587**	11,636	**22,306**	20,634
	30,051,788	32,817,456	**2,713,477**	1,123,154

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

4 OTHER REVENUE

	2019	2018
	$'000	*$'000*
Government grants	**2,735**	3,674
Penalty incomes *(note)*	**13,513**	–
Others	**12,082**	164
	28,330	3,838

Note: During the year ended 31 December 2019, the Group has recognised a penalty income of $13,513,000 from a third party coal customer in relation to its failure to settle the procurement from the Group within an agreed period in accordance with relevant contract with the Group.

5 OTHER OPERATING (EXPENSES)/INCOME, NET

	2019	2018
	$'000	*$'000*
(Loss)/gain on disposal of property, plant and equipment and intangible assets	**(10,056)**	3,925
Net realised and unrealised (loss)/gain on derivative financial instruments	**(50,029)**	57,107
Others	**(5,752)**	(929)
	(65,837)	60,103

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2019	2018
		(note)
	$'000	*$'000*
Interest income on financial assets measured at amortised cost	**(24,314)**	(5,492)
Changes in fair value on conversion option embedded in convertible bonds and warrants	**(22,370)**	(36,311)
Finance income	**(46,684)**	(41,803)
Interest on secured bank loans and other interest-bearing borrowings	**75,577**	65,466
Interest on discounted bills receivable	**66,487**	87,409
Interest on lease liabilities	**7,362**	1,156
Interest on convertible bonds	**44,626**	43,000
Total interest expense	**194,052**	197,031
Bank and other charges	**32,104**	22,577
Foreign exchange loss, net	**17,468**	15,539
Finance costs	**243,624**	235,147
Net finance costs	**196,940**	193,344

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

(b) Staff costs

	2019	2018
	$'000	*$'000*
Salaries, wages, bonus and other benefits	**292,007**	355,278
Contributions to defined contribution retirement plan	**8,315**	8,406
	300,322	363,684

For the year ended 31 December 2019, staff-related expenses of the Group included a bonus of approximately $70,200,000, of which $61,236,000 was paid to the business sector teams, and the remaining $8,964,000 was paid to the functional management team.

(c) Other items

	2019	2018
		(note)
	$'000	*$'000*
Amortisation and depreciation#		
– property, plant and equipment	**58,905**	41,844
– right-of-use assets*	**42,715**	–
– lease prepayments*	**–**	11,680
– intangible assets	**7,279**	7,046
Total minimum lease payments for leases previously classified as operating leases under IAS 17*	**–**	21,769
Reversals of impairment losses on trade and other receivables		
– trade receivables	**(2,279)**	(80,158)
– other receivables	**(608)**	(3,085)
Reversal of impairment of non-current assets		
– property, plant and equipment	**(15,800)**	–
– loan to a third party *(note 11)*	**–**	(79,373)
Operating lease charges, mainly relating to buildings	**–**	17,677
Cost of inventories#	**28,700,363**	31,121,203

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

* *The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).*

\# *Cost of inventories includes $55,722,000 (2018: $42,142,000) and $51,895,000 (2018: $28,229,000) for the year ended 31 December 2019 relating to staff costs, depreciation and amortisation which amount is also included in the respective total amount disclosed separately above or in note 6(b) for each type of these expenses.*

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019	2018
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**17,244**	35,292
Current tax – Outside of Hong Kong		
Provision for the year	**48,506**	47,649
Over-provision in respect of prior years *(note)*	**(39,064)**	(52,254)
Deferred Tax		
Origination and reversal of temporary differences *(note 16(b))*	**(14,531)**	–
	12,155	30,687

Note: The Group's subsidiary E-Commodities Holdings Private Limited ("**E-Commodities Singapore**") was incorporated in Singapore. During the year ended 31 December 2019, 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 2018 to 31 December 2018 (statutory tax rate: 17%). Therefore, the Group reversed income tax payable of $16,249,000 (2018: $51,852,000) during the year ended 31 December 2019.

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% (2018: 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% (2018: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

According to the High-tech Enterprise Certificate No. GR201815000227 issued by Inner Mongolia Provincial Department of Science and Technology, Inner Mongolia Provincial Department of Finance and Inner Mongolia Provincial State Revenue, Urad Zhongqi Yiteng Mining Co., Ltd., a subsidiary of the Group, was entitled to High Tech Enterprise qualification and benefit from a preferential tax rate of 15% from 1 January 2018 to 31 December 2020.

According to Article 2 of Notice on Issues Concerning Tax Policies on Further Implementing the Strategy of Western Development issued by the Ministry of Finance, General Administration of Customs and State Administration of Taxation [Cai Shui (2011) No.58], Erlianhaote Haotong Energy Co., Ltd., a subsidiary of the Group, is an enterprise under the preferred industry set up in the western region, which was entitled to a preferential tax rate of 15% from 1 January 2018 to 31 December 2020.

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 at applicable tax rates:

	2019	2018
	$'000	*$'000*
Profit before taxation	**324,958**	923,713
Notional tax on profit before taxation, calculated at the rates applicable to profit in the jurisdictions concerned	**88,297**	201,622
Tax effect of non-taxable income	**(10,911)**	(3,976)
Tax effect of non-deductible expenses	**923**	6,653
Tax effect of utilisation of previously unrecognised tax losses	**(21,064)**	(87,614)
Tax effect of unused tax losses and other temporary differences not recognised	**(6,026)**	(33,744)
Over-provision in respect of prior years	**(39,064)**	(52,254)
Actual tax expense	**12,155**	30,687

8 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 $312,404,000 (2018: $879,772,000) and the weighted average number of ordinary shares of 3,047,048,000 ordinary shares (2018: 3,075,964,000 shares) in issue during the year ended 31 December 2019, calculated as follows:

Weighted average number of ordinary shares (basic):

	2019	2018
	'000	*'000*
Issued ordinary shares at 1 January	**3,066,723**	3,157,299
Effect of purchase of own shares *(note 17(b)(i))*	**(20,703)**	(48,074)
Effect of purchase of shares held by the employee share trusts*	**1,028**	(33,261)
Weighted average number of ordinary shares (basic) as at 31 December	**3,047,048**	3,075,964

* *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):

	2019	2018
	$'000	*$'000*
Profit attributable to ordinary equity shareholders	**312,404**	879,772
Effect of potential ordinary shares – convertible bonds	**22,442**	16,007
Profit attributable to ordinary equity shareholders (diluted)	**334,846**	895,779

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

	2019	2018
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**3,047,048**	3,075,964
Effect of potential ordinary shares – convertible bonds	**420,051**	384,108
Weighted average number of ordinary shares (diluted) as at 31 December	**3,467,099**	3,460,072

9 RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019 *$'000*	1 January 2019 *$'000*
Lease prepayments *(note i)*	**509,889**	442,052
Offices leased for own use *(note ii)*	**9,851**	31,109
Motor vehicles, machinery and other equipment, carried at depreciated cost *(note ii)*	**218,274**	35,469
	738,014	508,630

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

At 31 December 2019, land use rights of the Group of $55,538,000 (31 December 2018: $295,757,000) together with property, plant and equipment of $90,150,000 (31 December 2018: $25,272,000), restricted bank deposits of $48,001,000 (31 December 2018: $46,014,000) and bills receivable of $nil (31 December 2018: 23,134,000) have been pledged as collateral for the Group's borrowings and bills payable (see note 13).

(ii) Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019	2018
		(note)
	$'000	*$'000*
Depreciation charge of right-of-use assets	**42,715**	14,214
Interest on lease liabilities *(note 6(a))*	**7,362**	1,156
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**2,657**	–
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**103**	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	21,769

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).

During the year, additions to right-of-use assets were $295,786,000. This amount included the addition of motor vehicles, machinery and other equipment with the amount of $204,502,000 and lease prepayments with the amount of $91,284,000.

10 INTEREST IN ASSOCIATES

The following table lists out the particulars of the Group's associates, all of which are unlisted entities:

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

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

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

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

	2019
	$'000
Gross amounts of the associate	
Current assets	**2,915,882**
Non-current assets	**2,584**
Current liabilities	**(662,629)**
Non-current liabilities	**(1,239)**
Equity	**(2,254,598)**
Revenue	**1,089,866**
Profit for the year	**22,410**
Reconciled to the Group's interest in the associate	
Gross amounts of net assets of the associate	**2,254,598**
Group's effective interest	**49%**
Group's share of net assets of the associate	**1,104,753**
Carrying amount in the consolidated financial statements	**1,104,753**

Aggregate information of associate that is not individually material:

	2019	2018
	$'000	*$'000*
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	**11,254**	11,371
Aggregate amounts of the Group's share of the associate's		
Profit from continuing operations	**135**	(1,564)
Total comprehensive income	**135**	(1,564)

11 OTHER CURRENT ASSETS

	2019	2018
	$'000	*$'000*
Loan to a third party	**–**	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 Group recovered loan principal of US$7.42 million (equivalent to approximately $57,888,000) from Moveday. As at 31 December 2018, in view of the continuous repayments from Moveday during the year ended 31 December 2018, 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 therefore reversed the remaining balance of the impairment provision. As a result of these events, in total a gain of $79,373,000 was 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).

In June 2019, the Group mutually agreed with and received payment from Moveday the outstanding loan interest in aggregate of US$1.43 million (equivalent to approximately $11,183,000) and this amount has been recognised in other revenue for the year ended 31 December 2019.

12 TRADE AND OTHER RECEIVABLES

	31 December 2019 *$'000*	1 January 2019 *$'000*	31 December 2018 *$'000*
Trade debtors and bills receivable, net of loss allowance	2,332,587	3,483,959	3,483,959
Other debtors	80,012	26,969	26,969
Financial assets measured at amortised cost	2,412,599	3,510,928	3,510,928
Deposits and prepayments	915,701	616,167	617,158
Other tax recoverable	96,898	155,564	155,564
Derivative financial instruments *(note i)*	33,743	4,663	4,663
	3,458,941	4,287,322	4,288,313

Notes:

(i) As at 31 December 2019 and 31 December 2018, 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 2019, bills receivable of the Group of $178,578,000 (31 December 2018: $652,720,000) have been pledged as collateral for the Group's borrowing.

At 31 December 2019, bills receivable of the Group of $1,869,073,000 (31 December 2018: $1,282,687,000) have been discounted to banks.

At 31 December 2019, bills receivable of the Group of $nil (31 December 2018: $23,134,000) together with land use rights of $55,538,000 (31 December 2018: $295,757,000), restricted bank deposits of $48,001,000 (31 December 2018: $46,014,000) and property, plant and equipment of $90,150,000 (31 December 2018: $25,272,000) have been pledged as collateral for the Group's borrowings and bills payable (see note 13).

At 31 December 2019, bills receivable of the Group of $107,288,000 (31 December 2018: $nil) together with restricted bank deposits of $520,010,000 (31 December 2018: $nil) and trade receivables of $37,362,000 (31 December 2018: $nil) have been pledged as collateral for bills payable (see note 13).

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:

	2019	2018
	$'000	*$'000*
Within 3 months	**1,772,853**	2,282,307
3 to 6 months	**523,523**	1,146,438
6 to 12 months	**36,211**	55,214
	2,332,587	3,483,959

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.

13 TRADE AND OTHER PAYABLES

	31 December 2019	31 December 2018
	$'000	*$'000*
Trade and bills payables	**1,408,354**	925,159
Prepayments from customers	**271,579**	229,220
Payables in connection with construction projects	**55,688**	32,573
Payables for purchase of equipment	**28,025**	25,104
Payables for staff related costs *(note i)*	**82,598**	169,809
Payables for other taxes	**53,552**	172,465
Derivative financial instruments *(note ii)*	**15,851**	–
Others	**142,905**	112,109
	2,058,552	1,666,439

(i) Included bonus payable to senior management amounting to approximately $23,654,000 (2018: $97,461,000).

(ii) Derivative financial instruments represent fair value of foreign exchange forward contracts as at 31 December 2019.

At 31 December 2019, bills payable amounting to $681,237,000 (31 December 2018: $nil) have been secured by restricted bank deposits with an aggregate carrying value of $520,010,000 (31 December 2018: $nil), bills receivable with an aggregate carrying value of $107,288,000 (31 December 2018: $nil) and trade receivables with an aggregate carrying value of $37,362,000 (31 December 2018: $nil).

At 31 December 2019, bills payable amounting to $151,918,000 (31 December 2018: $180,461,000) together with bank loans amounting to $277,336,000 (31 December 2018: $363,571,000) have been secured by restricted bank deposits with an aggregate carrying value of $48,001,000 (31 December 2018: $46,014,000), property, plant and equipment with an aggregate carrying value of $90,150,000 (31 December 2018: $25,272,000), land use rights with an aggregate carrying value of $55,538,000 (31 December 2018: $295,757,000), and bills receivable with an aggregate carrying value of $nil (31 December 2018: $23,134,000).

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

	2019	2018
	$'000	*$'000*
Within 3 months	**911,704**	883,505
More than 3 months but less than 6 months	**182,560**	31,596
More than 6 months but less than 1 year	**308,460**	88
More than 1 year	**5,630**	9,970
	1,408,354	925,159

14 OTHER INTEREST-BEARING BORROWINGS

Other interest-bearing borrowings represent loans from Xianghui Energy, at 4.35% annual interest rate and repayable within 12 months.

15 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	31 December 2019		1 January 2019 *(Note)*		31 December 2018 *(Note)*	
	Present value of the lease payments *$'000*	**Total lease payments** *$'000*	**Present value of the lease payments** *$'000*	**Total lease payments** *$'000*	**Present value of the lease payments** *$'000*	**Total lease payments** *$'000*
Within 1 year	78,160	88,059	29,258	30,632	16,651	17,659
After 1 year but within 2 years	68,533	74,032	16,263	17,273	6,621	6,825
After 2 years but within 5 years	47,743	49,643	4,640	5,602	1,352	1,394
After 5 years	–	–	4,581	12,878	–	–
	116,276	123,675	25,484	35,753	7,973	8,219
	194,436	211,734	54,742	66,385	24,624	25,878
Less: total future interest expenses		(17,298)		(11,643)		(1,254)
Present value of lease liabilities		194,436		54,742		24,624

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to IFRS 16 are set out in note 2(c).

16 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	2019	2018
	$'000	*$'000*
At 1 January	**99,917**	137,990
Provision for the year *(note 7(a))*	**65,750**	82,941
Over-provision in respect of prior years *(note 7(a))*	**(39,064)**	(52,254)
Income tax paid	**(47,899)**	(64,541)
Exchange adjustments	**(6,616)**	(4,219)
At 31 December	**72,088**	99,917

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Deferred tax assets in respect of cumulative tax losses	**Unrealised profits arising from intra-group transactions**	**Credit loss allowance**	**Gains from changes in fair value**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Deferred tax arising from:					
At 1 January 2019	–	–	–	–	–
Charged/(credited) to profit or loss	8,228	3,827	2,797	(321)	14,531
At 31 December 2019	8,228	3,827	2,797	(321)	14,531

Reconciliation to the consolidated statement of financial position

	2019	2018
	$'000	*$'000*
Deferred tax assets recognised in the statement of financial position	**14,531**	–

(c) 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 $1,066,955,000 and $474,156,000, respectively (2018: $1,145,102,000 and $736,995,000, respectively) as management of the Group considers that it is not possible as at 31 December 2019 to estimate, with any degree of certainty, the future taxable profits which may be earned by these subsidiaries. In particular, the Group has not recognised deferred tax assets in respect of cumulative tax losses at 31 December 2019 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 $187,185,000, $14,668,000, $106,212,000, $71,096,000 and $95,185,000 will expire in five years after the tax losses generated under current tax legislation in 2020, 2021, 2022, 2023 and 2024, respectively.

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2019	2018
	$'000	*$'000*
Final dividend proposed after the end of the reporting period of $nil per ordinary share (2018: $0.072)	**–**	218,497

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

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

	2019	2018
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.072 (2018: $0.034)	**219,558**	106,058

(b) Share capital

	2019	2018
	’000	*’000*
	No. of shares	*No of shares*
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

	2019		2018	
	No. of shares		*No. of shares*	
	’000	***$’000***	*’000*	*$’000*
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	**3,066,723**	**5,797,302**	3,157,299	5,849,015
Cancellation of repurchased shares *(note i)*	**(20,160)**	**(7,940)**	(90,576)	(51,713)
At 31 December	**3,046,563**	**5,789,362**	3,066,723	5,797,302

Notes:

(i) Purchase of own shares

During the year ended 31 December 2019, the Company cancelled in aggregate of 20,160,000 of its own shares which were purchased from the open market.

(ii) 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 2019, the Company granted certain RSU Awards in respect of an aggregate of 52,483,812 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 were settled by existing ordinary shares of the Company held by the employee share trusts.

The fair value of the granted ordinary shares was $20,666,000 based on the quoted price of the Company's shares on the grant date, of which $24,468,000 was credited to the employee share trusts based on the weighted average cost of the granted ordinary shares, and the balance of $3,802,000 was debited to the other reserve.

In addition, the Company has repurchased on-market in aggregate 64,524,000 of its own shares (2018: 13,884,000 shares) at a cash consideration of $24,874,000 (2018: $7,987,000) under the RSU Scheme during the year ended 31 December 2019.

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 2019.

Opinion

In our opinion, except for the possible effects on the corresponding figures 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 2019 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 report on the Group's financial statements for the year ended 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. The impairment provision as at 31 December 2017 amounted to US$10.16 million (equivalent to approximately $79,373,000) which represented full provision of the respective outstanding amount due from Moveday as at 31 December 2017.

As disclosed in note 21 to these financial statements, during the year ended 31 December 2018, the directors of the Company recovered an amount of loan principal of US$7.42 million (equivalent to approximately $57,888,000) from Moveday and reversed the remaining impairment provision of US$2.74 million (equivalent to approximately $21,485,000) as at 31 December 2018. 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 provision recognised as at 31 December 2017, we were, and still are, unable to satisfy ourselves that the impairment provision as at 31 December 2017 was free from material misstatement.

Any change to the impairment provision as at 31 December 2017 would have affected the profit for the year ended 31 December 2018. Therefore, had we been able to complete our audit of these 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. Our opinion on the Group's financial statements for the year ended 31 December 2018 was qualified accordingly. Our opinion on the current year's financial statements is also qualified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding amounts in the consolidated statement of profit or loss.

CHAIRMAN STATEMENT

Dear shareholders and colleagues,

As we announce the annual results of E-Commodities Holdings Limited ("**E-Commodities**") for 2019, 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 2019, the Company sold a total of 21.9 million tonnes of coal, and recorded sales revenue of HK$30,052 million, gross profit of HK$1,217 million and net profit of HK$313 million. Compared with 2018, affected by slowing down of global and domestic economic growth, overlapping with the influence of the trade war between China and the United States, and the changed China Customs Policies to imported coal, the gross profit margin per tonnage of imported coal was eroded. However, with the efforts of all the employees, our business volume and market share remained stable.

The bulk commodities involved in the supply chain trading segment include: coal, coke, iron ore, oil and petrochemical products, nonferrous metals and others. In addition to continuing to import these commodities into China, the Company further expanded its sales into, among others, Poland, Brazil and Japan in 2019 to expand its global market. In August 2019, the Company established a joint venture with Xiamen Xiangyu, pursuant to which, the parties play to the advantages of mixed ownership. With the advantage of resources and capital matching, the Company further accelerated expansion of its procurement volumes and market share in the Mongolian coal market, improving the use efficiency of the China-Mongolia border infrastructures of the Company, and expanding the Mongolian coal end-user market.

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

2020 is full of challenges, with both risks and opportunities. We will take a more prudent approach to the composition of the Company's business plan. First of all, the Company will ensure healthy cash flow management, and commit to the development of third-party logistics services in the meantime. The Company will continue to integrate the four business sectors of supply chain trading, supply chain logistics, clean raw materials processing and internet intelligent platform. Together, these segments will provide synergetic advantages in information flow, goods logistics and capital flow of the Company's bulk commodity trading business. We have full confidence in the Company's operation and development in 2020, and will also create greater value and returns to shareholders who have given us long-term support and trust.

Thanks to all staff for their persistence and efforts during the battle with this smokeless epidemic war in early 2020 and who have kept the overall operation of the Company running smoothly. Thanks to the support of upstream and downstream enterprises, which have kept the Company's business stable. On the basis of prevention and control in all aspects, the Company will continuously and efficiently develop its business. I hope that all shareholders, customers and colleagues stay healthy and safe. Stay strong, China! Stay strong, the world!

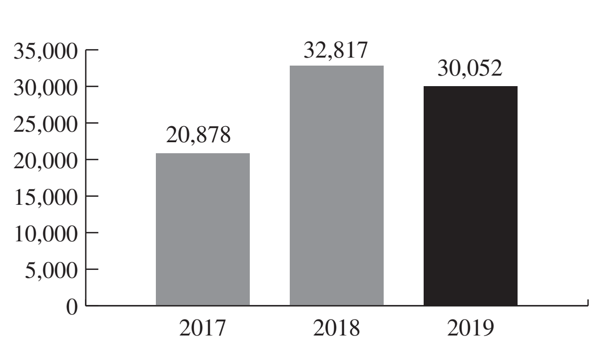
Cao Xinyi
Chairman
E-Commodities Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

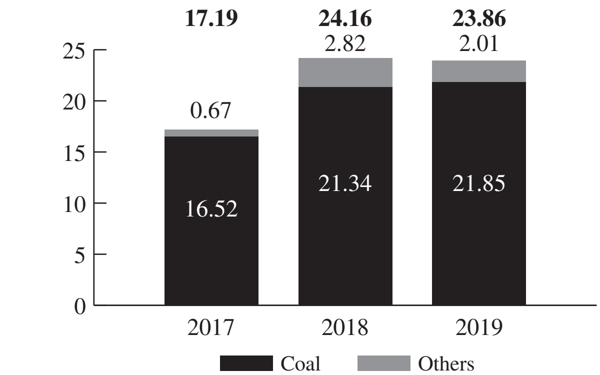
The following discussion and analysis should be read in conjunction with the Group's financial information and the notes thereto. The Group's financial information have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

I. Overview

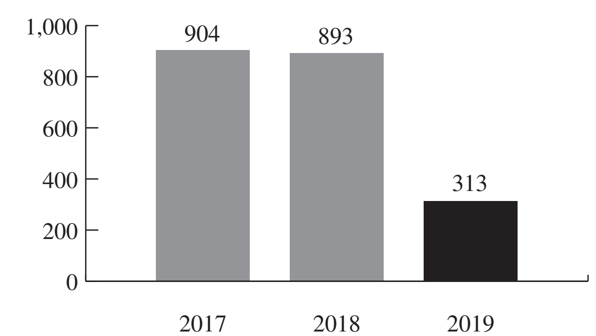
Revenue *(in HK$ million)*



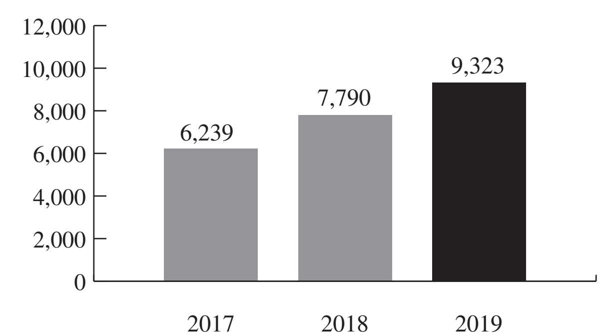
Supply Chain Trading Volume *(million tonnes)*



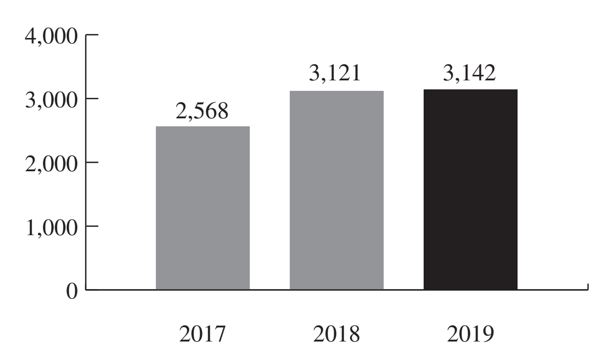
Net Profit *(in HK$ million)*



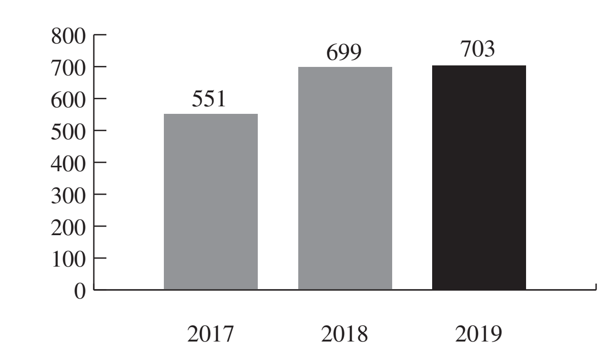
Total Assets *(in HK$ million)*



Total Equity *(in HK$ million)*



Cash Balance *(in HK$ million)*



II. Financial Review

1. Revenue Overview

In 2019, E-Commodities Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") recorded consolidated sales revenue of HK$30,052 million, a slight decrease of 8.43% compared to HK$32,817 million in 2018. The decrease primarily resulted from a lower average selling price of coal in 2019. In 2019, our supply chain trading volume remained stable at 23.86 million tonnes, a slight decrease of 1.24% compared to 24.16 million tonnes in 2018. In 2019, our supply chain trading revenue for coal products was HK$26,292 million, accounting for approximately 87.49% of our total sales revenue of 2019, compared to approximately 85.41% in 2018.

In 2019, sales revenue generated from the sales of oil and petrochemical products and iron ore represented 6.86% and 3.41% of the total sales revenue, compared to 9.16% and 3.74%, respectively in 2018.

	2019 ***HK$'000***	2018 *HK$'000*
Disaggregated by major products or service lines		
– Coal	**26,291,787**	28,028,521
– Oil and petrochemical products	**2,061,981**	3,004,972
– Iron ore	**1,024,083**	1,228,312
– Nonferrous metals	**423,871**	351,070
– Rendering of logistics services	**184,301**	133,702
– Coke	**27,839**	26,028
– Others	**37,926**	44,851
	30,051,788	32,817,456

In 2019, the Group further expanded its geographic coverage of business to, among others, Poland, Brazil and Japan. Approximately HK$2,921 million of sales were generated from outside of the PRC (including Hong Kong, Macau and Taiwan), representing approximately 9.72% of our total sales revenue of 2019.

	2019	2018
	HK$'000	*HK$'000*
The PRC (including Hong Kong, Macau and Taiwan)	**27,130,916**	29,592,066
South Korea	**1,025,446**	668,714
Turkey	**792,657**	1,423,596
India	**675,471**	911,143
Poland	**154,290**	–
Brazil	**85,719**	–
Indonesia	**77,022**	95,541
Mongolia	**57,552**	–
Japan	**31,128**	–
America	**–**	114,760
Others	**21,587**	11,636
	30,051,788	32,817,456

In 2019, the sales revenue from our top five customers accounted for 34.07% of our total sales, whereas the same ratio was 42.02% in 2018. These customers are mainly large-scale, state-owned steel groups throughout China, all being leading companies in the industry.

Supply Chain Trading

In 2019, our supply chain trading business segment contributed the majority of our total revenue, which was HK$29,830 million representing approximately 99.26% of the total sales revenue. 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 and nonferrous metals. For 2019, revenue from supply chain trading also included added value by rendering warehousing and internal logistics services, which is not yet separable from supply chain trading revenue.

Supply Chain Logistics

Our supply chain logistics segment mainly provides warehousing and logistics services for our supply chain trading business and third parties. A total of 6.95 million tonnes and 7.66 million tonnes bulk commodities, respectively, were moved in and out of our warehouses and logistics centers in 2019. In 2019, this segment generated revenue of HK$184 million, representing a 37.31% increase compared to HK$134 million in 2018, which was generated by providing warehousing and logistics services for third parties.

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

Clean Raw Materials Processing

Our clean raw materials processing and washing segment provides coal washing and processing services for our supply chain trading business and third parties. The Group has advanced coal washing and processing technology which ensures our products not only reach the government environment protection standards, but also meet the requirements of steel mills for clean raw materials. There were totally 5.37 million tonnes of raw coal washed and processed in our washing plants in 2019. In 2019, this segment contributed revenue of HK$25 million and gross profit of HK$8 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.

Based on the integration of the supply chain logistics services sectors within the Group, the wholly-owned subsidiary of the Company, E-Commodities (Beijing) Supply Chain Management Company Limited, took over 44% of the equity interest in Minmetals E-Commerce Company Limited from Hangzhou Ali Venture Capital Company Limited, being the second largest shareholder after Minmetals Development Company Limited on 27 December 2019.Minmetals E-Commerce Company Limited is a steel products-focused, B2B e-commerce platform for industrial commodities. It aims to integrate resources online and offline as an open supply chain value added playground, serving cooperation partners via internet tools by providing added value in shortening industrial supply chain redundant nodes and enhancing overall industrial efficiency. By joining in Minmetals E-Commerce Company Limited, the Company targets to further deepen cooperation with Minmetals, enhancing the online commodities trading capability of the Company and expanding supply chain logistics services of the Company to the platform for maximizing efficiency and synergies, meanwhile, to facilitate the main businesses development of Minmetals E-Commerce Company Limited in commodities online trade matching and supply chain logistics and finance services.

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

COGS primarily consists of the purchase price, transportation costs, and processing costs. COGS in 2019 was HK$28,835 million, which was a 7.59% decrease compared to HK$31,202 million in 2018, mainly due to the slightly decreased purchase price. 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	**2019**		2018	
	procurement volume *'000 tonnes*	**procurement amounts** *HK$'000*	procurement volume *'000 tonnes*	procurement amounts *HK$'000*
Coal	**21,956**	**24,747,189**	22,289	26,527,543
Oil and petrochemical products	**409**	**2,086,701**	436	2,986,288
Nonferrous metals	**20**	**420,524**	15	338,239
Iron ore	**1,599**	**984,999**	2,246	1,169,240
Coke	**15**	**29,824**	10	26,034
	23,999	**28,269,237**	24,996	31,047,344

In 2019, total procurement amount was HK$28,269 million, of which, the top five suppliers accounted for 56.75%. 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$1,217 million in 2019, compared to a gross profit of HK$1,615 million recorded in 2018. Compared with 2018, the gross profit per ton of coal narrowed. This was mainly due to, 1) macro-economically, slower economic growth both globally and in China, which was particularly affected by the trade war between China and the United States; 2) micro-economically, China customs policies, by which additional time was required for imported coal customs clearance resulting in lower gross margins in coal trading.

4. Distribution Costs

Distribution costs were HK$253 million in 2019, which was a 29.74% increase compared to HK$195 million in 2018. The increase in distribution costs was mainly due to the increased sales volume of Mongolian coal and the increased domestic sales volume of seaborne coal that had already completed customs clearance process. Distribution costs include fees and charges incurred for supply chain trading and related logistics and transportation costs.

5. Administrative Expenses

Administrative expenses were HK$431 million in 2019, a slight decrease of 3.15% over HK$445 million of administrative expenses incurred in 2018. This decrease was mainly due to staff costs decrease in 2019 of HK$77 million less than in 2018, overlapping the influence of the reversal of an impairment loss as a result of repayments received from customers in 2018 which lowered the administrative expenses figure for 2018.

	2019	2018
	HK$'000	*HK$'000*
Staff costs*	**244,600**	321,541
Reversal of provision for impairment losses on trade and other receivables	**(2,887)**	(83,243)
Others	**189,567**	206,408
	431,280	444,706

* For the year ended 31 December 2019, staff costs of the Group included a bonus of approximately HK$70,200,000, of which HK$61,236,000 was paid to the business sector teams, and the remaining HK$8,964,000 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 business pre-tax profit made by each business sector team is distributed to corresponding business sector team in the form of bonus. The proportion was determined by reference to the incentive schemes of similar companies in the market, and with the aim of boosting performance so as to maintain team stability and morale, and ensuring that the Company is competitive enough in the market to retain outstanding employees and management team.

6. *Net Finance Costs*

In 2019, the Group recorded net finance costs of HK$197 million in total, compared to net finance costs of HK$193 million in 2018. The increase in finance income is mainly due to the increased interest income on low risk financial assets. The slight increase in finance costs is mainly due to the increased interest accrued on the secured bank loans and interest on lease liabilities.

Net finance costs

	2019	2018
		(note)
	HK$'000	*HK$'000*
Interest income on financial assets measured at amortised cost	**(24,314)**	(5,492)
Changes in fair value on conversion option embedded in convertible bonds and warrants	**(22,370)**	(36,311)
Financial income	**(46,684)**	(41,803)
Interest on secured bank loans and other interest-bearing borrowings	**75,577**	65,466
Interest on discounted bills receivable	**66,487**	87,409
Interest on lease liabilities	**7,362**	1,156
Interest on convertivble bonds	**44,626**	43,000
Total interest expense	**194,052**	197,031
Bank and other charges	**32,104**	22,577
Foreign exchange loss, net	**17,468**	15,539
Financial costs	**243,624**	235,147
Net finance costs	**196,940**	193,344

7. *Net profit and earnings per share*

Our net profit was HK$313 million in 2019, compared to net profit of HK$893 million in 2018.

Basic earnings per share were HK$0.103 in 2019, compared to basic earnings per share of HK$0.286 in 2018. Diluted earnings per share were HK$0.097 in 2019, compared to diluted earnings per share of HK$0.259 in 2018.

8. *Interest in an Assoicate*

On 25 July 2019, the Company and Xiamen Xiangyu Joint Stock Company Limited entered into a cooperation agreement ("**Cooperation Agreement**") in relation to, among others, the formation of Xianghui Energy. Under the Cooperation Agreement, the registered capital of Xianghui Energy shall be RMB2 billion, of which RMB980 million shall be contributed by the Company through its designated subsidiary, representing 49% of the total registered capital of the Xianghui Energy. Xianghui Energy commenced operation in October 2019, and is mainly engaged in trading Mongolian coal in the PRC. Xianghui Energy recorded a revenue of HK$1,089.87 million and net profit of HK$22.41 million during its operation from October 2019 to 31 December, 2019, in which, 0.99 million tonnes and 0.93 million tonnes of coal were procured and sold, respectively.

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

	2019 ***HK$'000***
Gross amounts of the associate	
Current assets	**2,915,882**
Non-current assets	**2,584**
Current liabilities	**(662,629)**
Non-current liabilities	**(1,239)**
Equity	**(2,254,598)**
Revenue	**1,089,866**
Profit for the year	**22,410**
Reconciled to the Group's interest in the associate	
Gross amounts of net assets of the associate	**2,254,598**
Group's effective interest	**49%**
Group's share of net assets of the associate	**1,104,753**
Carrying amount in the consolidated financial statements	**1,104,753**

9. Other Current Assets

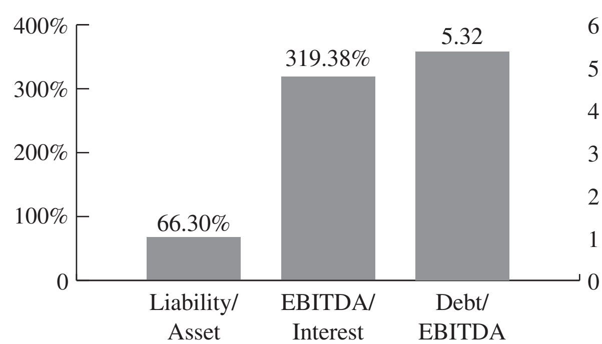
	2019	2018
	HK$'000	*HK$'000*
Loan to a third party	**–**	21,485

In June 2019, the Group mutually agreed with, and received payment from, Moveday Enterprises Limited ("**Moveday**") the outstanding loan interest in aggregate of US$1.43 million (equivalent to approximately HK$11,183,000) and this amount has been recognised in other revenue for the year ended 31 December 2019.

10. Indebtedness and Liquidity

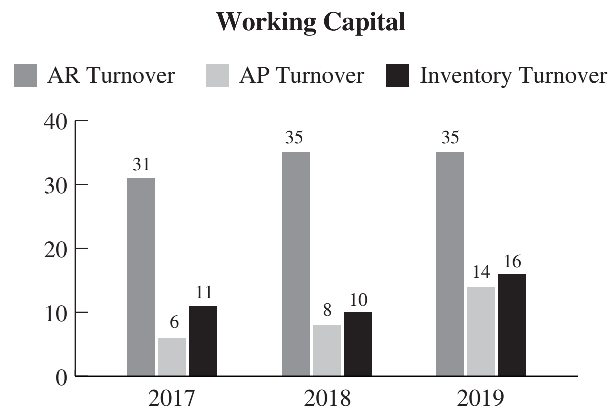
The total amount of bank loans owed by the Group at the end of 2019 was HK$2,888 million. Interest rates on these loans range from 2.00% to 10.45% per annum, whereas the range in 2018 was from 3.03% to 10.45%. The Group's gearing ratio at the end of 2019 was 66.30%, which was a slight increase compared to 59.94% at the end of 2018. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.

Indebtedness and Liquidity



11. Working Capital

Our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 35 days, 14 days, and 16 days, respectively, in 2019. As a result, the overall cash conversion cycle was approximately 37 days in 2019, which was the same as the Group's cash conversion cycle realised in 2018.



12. Contingent Liabilities

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

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

13. Pledge of Assets

At 31 December 2019, bank loans amounting to HK$399,243,000 (31 December 2018: HK$682,843,000) have been secured by bills receivable with an aggregate carrying value of HK$178,578,000 (31 December 2018: HK$652,720,000) and bank deposits with an aggregate carrying value of HK$228,235,000 (31 December 2018: HK$102,717,000).

At 31 December 2019, bank loans amounting to HK$1,869,073,000 (31 December 2018: HK$1,282,687,000) have been secured by bills receivables with an aggregate carrying value of HK$1,869,073,000 (31 December 2018: HK$1,282,687,000).

At 31 December 2019, bank loans amounting to HK$254,516,000 (31 December 2018: HK$102,717,000) have been secured by credit guarantee with an aggregate amount of HK$254,516,000 (31 December 2018: HK$102,717,000) provided by subsidiaries of the Group.

At 31 December 2019, bank loans amounting to HK$277,336,000 (31 December 2018: HK$363,571,000) together with bills payable amounting to HK$151,918,000 (31 December 2018: HK$180,461,000) have been secured by restricted bank deposits with an aggregate carrying value of HK$48,001,000 (31 December 2018: HK$46,014,000), property, plant and equipment with an aggregate carrying value of HK$90,150,000 (31 December 2018: HK$25,272,000l), land use rights with an aggregate carrying value of HK$55,538,000 (31 December 2018: HK$295,757,000), and bills receivable with an aggregate carrying value of HK$nil (31 December 2018: HK$23,134,000).

At 31 December 2019, bills payable amounting to HK$644,165,000 (31 December 2018: HK$nil) have been secured by restricted bank deposits with an aggregate carrying value of HK$520,010,000 (31 December 2018: HK$nil) and bills receivable with an aggregate carrying value of HK$107,288,000 (31 December 2018: HK$nil).

At 31 December 2019, bills payable amounting to HK$37,072,000 (31 December 2018: HK$nil) have been secured by trade receivables with an aggregate carrying value of HK$37,362,000 (31 December 2018: HK$nil).

At 31 December 2019, bank loans amounting to HK$87,363,000 (31 December 2018: HK$nil) have been secured by inventories with an aggregate carrying value of HK$88,012,000 (31 December 2018: HK$nil).

In 2019, to fulfill the finance lease payment obligation, the Group provided the mortgage of finance lease related assets, together with the pledge of 100% equity (HK$11,163,000) of our subsidiary E-Commdities (Shanxi) Intelligent Logistics Co., Ltd accordingly.

14. Cash Flow

In 2019, our operating cash inflow was HK$1,387 million compared to HK$113 million cash inflow during the same period last year. The net cash inflow from operating activities was mainly contributed from cash profit of HK$584 million and net cash inflow of working capital changes of HK$803 million. The changes in working capital was mainly due to the gradual decrease in the capital occupation of Mongolian coal business since October 2019, and more business was transferred to Xianghui Energy.

In 2019, the Group paid a cash outflow from investing activities of HK$1,927 million compared to HK$24 million cash inflow during 2018. The net cash outflow was mainly due to a capital injection of HK$1,094 million into Xianghui Energy, as well as an increase in restricted bank deposits for bank credit pledges of approximately HK$498 million and investment in purchases of logistics assets of approximately HK$282 million.

The Group had a cash inflow from financing activities of HK$562 million in 2019 compared to a HK$33 million in 2018. The difference was mainly due to borrowings of HK$606 million from Xianghui Energy.

In the supply chain trading business, acceptance bills and letters of credit are common payment methods. After receiving the acceptance bill and the letter of credit, the Company will carry out the recourse discount or pledge loan, and deposit the full margin into the bank to issue the bills payable. This method has very low risk since these two types of business liabilities use cashable bills and cash pledge, thus, is called low risk borrowing business. According to applicable accounting standards, although such bills receivable is from sales, the cash received from discounted bills receivable and the pledge loans are classified as financing activities in the cash flow statement. Although the bills payable is for procurements, the Company deposits the full margin into the bank to issue the bills payable, which are classified as investment activities in the cash flow statement. Therefore, in order to explain the Company's business activities more clearly, the impact of the above changes in analysed as follows:

	2019(1)	**Adjustments**	**Adjusted 2019**(2)
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents at 1 January	699,361		699,361
Net cash generated from operating activities	1,386,680	(322,457)	1,064,223
Net cash generated from investing activities	(1,926,528)	511,600*	(1,414,928)
Net cash generated from/(used in) financing activities	562,393	(189,143)**	373,250
Effect of foreign exchange rate changes	(18,991)		(18,991)
Cash and cash equivalents at 31 December	702,915		702,915

Note:

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

(2) *Illustrative purpose only.*

* *Full margin deposit for bills payable*

** *Discounted bills and bill pledged loans*

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 bills 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 2019, the Group was mainly financed by bank working capital loans, discounted cash inflow from bank bills and other notes receivables, domestic and international letters of credit, as well as, front-to-back and back-to-back international letter of credit facilities.

The Group has always adopted prudent and stable fund management methods. Internally, by managing the amount of funds occupation quota of each business department, we supervised the business departments to reduce the level of inventory, prepaid accounts and receivables, and demanded advances 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 2019, we increased the factoring amount of accounts receivable. Payment by finance 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 were made in U.S. dollars and sales were made in RMB, the Company paid close attention to the RMB exchange rate. In the trend of RMB devaluation, the Company used foreign exchange derivatives to avoid exchange rate fluctuation risks and 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 and domestic supply and demand, the level of consumer product demand, international and domestic economic trends, customs policies, 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

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.

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 our 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 the capital requirements of the Group in line with its booming trading businesses.

4. Currency risk

Over 29.13% of the Group's revenue in 2019 was denominated in Renminbi. Over 83.55% 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 2019, there were 291 full-time employees in the Group (excluding 958 dispatch staff from domestic subsidiaries). Due to business growth, there was an approximately 10.23% head count increase in 2019. The breakdown of employee categories is as follows:

	2019		2018	
Functions	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Management, Administration & Finance	**82**	**28%**	83	31%
Front-line Production & Production Support & Maintenance	**60**	**21%**	44	17%
Sales & Marketing	**105**	**36%**	93	35%
Others (incl. Projects, Coal Washing Plant, Transportation)	**44**	**15%**	44	17%
Total	**291**	**100%**	264	100%

2. Employee Education Overview

	2019		2018	
Qualifications	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Master & above	**46**	**16%**	41	16%
Bachelor	**167**	**57%**	104	39%
Diploma	**44**	**15%**	42	16%
High-School, Technical School & below	**34**	**12%**	77	29%
Total	**291**	**100%**	264	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 2019, the Company held various training programs totaling 213.5 hours, and over 3,667 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

	2019		2018	
Training Courses	**No. of hours**	**No. of participants**	No. of hours	No. of participants
Safety	**85**	**3,143**	120	2,512
Management & Leadership	**88.5**	**400**	245.5	459
Operation Excellence	**40**	**124**	73.5	160
Total	**213.5**	**3,667**	439	3,131

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 2019.

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

VII. Final Dividends

No dividend was declared for the year ended 31 December 2019.

VIII. Compliance With the CG Code

Throughout the year ended 31 December 2019, 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 "**CG Code**"), except for the deviation from the Code Provision A.2.1 which requires that the roles of chairman and chief executive officer be separate and not performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below. On 18 July 2019, Mr. Wang Wengang ceased to act as an executive Director and the chief executive officer of the Company (the "**CEO**"). Ms. Cao Xinyi, the chairman of the Board (the "**Chairman**"), was appointed as the CEO on the same date. The Board believes that, considering Ms. Cao Xinyi's length of employment and experience in the business and operations of the Group and her professional financial knowledge, vesting the roles of both the Chairman and the CEO in Ms. Cao Xinyi can provide the Group with consistent leadership, facilitate the execution of the Group's business strategies and boost effectiveness of its operations. In addition, under the supervision of the Board (which consists of 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors) and Board committees (only 2 executive Directors served on the Board committees and other members of which are all independent non-executive Directors), the Board is appropriately structured with a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders as a whole. Therefore, the Board considers that the deviation from the Code Provision A.2.1 is appropriate in such circumstances.

Except for the deviation mentioned above from the CG Code, the Company fully complied with all the Code Provisions throughout the year ended 31 December 2019.

IX. 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 2019.

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

As at 31 December 2019, the Company had a total of 3,046,562,356 shares in issue. The Company repurchased a total of 25,524,000 shares on the stock market during the year ended 31 December 2019, of which 20,160,000 repurchased shares were cancelled in 2019, and 5,364,000 repurchased shares were cancelled in early 2020. The total number of shares of the Company in issue was reduced accordingly.

XI. Events Subsequent to the Reporting Date

Since January 2020, the outbreak of Novel Coronavirus ("**COVID-19**") has significant impact on the global business environment due to the resulted interruption or slowdown of supply chains and the significant increase in economic uncertainty. Pending on the development and spread of COVID-19 subsequent to the financial year ended 31 December 2019, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this annual results announcement. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

XII. Review of Annual Results

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2019.

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

This annual results announcement is published on the websites of the Company (www.e-comm.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2019 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, 31 March, 2020

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