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E-COMMODITIES HOLDINGS LIMITED

易大宗控股有限公司

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

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1733)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the “**Board**”) of E-Commodities Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2018 together with comparative figures in 2017.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2018 was HK\$14,311 million.
- Profit for the six months ended 30 June 2018 was HK\$479 million.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 was HK\$470 million.
- Basic earnings per share for the six months ended 30 June 2018 was HK\$0.152.
- Diluted earnings per share for the six months ended 30 June 2018 was HK\$0.137.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2018 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2018	2017
			(note)
	Note	\$'000	\$'000
Revenue	4	14,311,490	10,555,841
Cost of sales		<u>(13,560,469)</u>	<u>(9,549,060)</u>
Gross profit		751,021	1,006,781
Other revenue		1,273	1,171
Distribution costs		(69,398)	(181,283)
Administrative expenses		(138,002)	(186,794)
Other operating income/(expenses), net		38,487	(33,358)
Reversal of impairment of non-current assets	9	<u>16,456</u>	<u>15,138</u>
Profit from operating activities		<u>599,837</u>	<u>621,655</u>
Finance income	5(a)	23,999	956
Finance costs	5(a)	<u>(112,136)</u>	<u>(73,120)</u>
Net finance costs		<u>(88,137)</u>	<u>(72,164)</u>
Share of (loss)/profit of associates		<u>(1,582)</u>	<u>1,326</u>
Profit before taxation		510,118	550,817
Income tax	6	<u>(31,386)</u>	<u>(72,922)</u>
Profit for the period		<u>478,732</u>	<u>477,895</u>
Attributable to:			
Equity shareholders of the Company		470,178	481,022
Non-controlling interests		<u>8,554</u>	<u>(3,127)</u>
Profit for the period		<u>478,732</u>	<u>477,895</u>
Earnings per share	7		
Basic (HK\$)		<u>0.152</u>	<u>0.157</u>
Diluted (HK\$)		<u>0.137</u>	<u>0.157</u>

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2018	2017
		<i>(note)</i>
	\$'000	\$'000
Profit for the period	478,732	477,895
Other comprehensive income for the period		
(after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Equity investment at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(2,282)	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	(27,435)	62,152
Total comprehensive income for the period	<u>449,015</u>	<u>540,047</u>
Attributable to:		
Equity shareholders of the Company	441,716	542,851
Non-controlling interests	<u>7,299</u>	<u>(2,804)</u>
Total comprehensive income for the period	<u>449,015</u>	<u>540,047</u>

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018 – unaudited

(Expressed in Hong Kong dollars)

		At 30 June 2018 \$'000	At 31 December 2017 (note) \$'000
	Note		
Non-current assets			
Property, plant and equipment, net	8	310,259	340,465
Construction in progress		86,697	8,350
Lease prepayments		466,569	476,791
Intangible assets		102,241	104,953
Interest in associates		27,041	17,019
Other investments in equity securities		100,639	125,348
Other non-current assets	9	–	–
Receivables under finance leases		–	3,828
Total non-current assets		1,093,446	1,076,754
Current assets			
Inventories	10	1,314,719	621,352
Trade and other receivables	11	4,832,864	3,386,636
Receivables under finance leases		3,963	1,914
Restricted bank deposits	12	291,922	601,335
Cash and cash equivalents	13	824,511	550,615
Total current assets		7,267,979	5,161,852
Current liabilities			
Secured bank and other loans	15	3,581,590	2,146,288
Trade and other payables	14	1,352,592	1,012,755
Obligations under finance leases		16,112	4,233
Income tax payable		145,703	137,990
Total current liabilities		5,095,997	3,301,266
Net current assets		2,171,982	1,860,586
Total assets less current liabilities		3,265,428	2,937,340

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*at 30 June 2018 – unaudited**(Expressed in Hong Kong dollars)*

	At 30 June 2018	At 31 December 2017 <i>(note)</i>
<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>
Non-current liabilities		
Convertible bonds payables	238,572	226,122
Deferred income	136,277	138,826
Obligations under finance leases	<u>8,390</u>	<u>4,064</u>
Total non-current liabilities	<u>383,239</u>	<u>369,012</u>
NET ASSETS	<u>2,882,189</u>	<u>2,568,328</u>
CAPITAL AND RESERVES		
Share capital	<i>16(b)</i> 5,822,729	5,849,015
Reserves	<u>(2,835,113)</u>	<u>(3,172,463)</u>
Total equity attributable to equity shareholders of the Company	2,987,616	2,676,552
Non-controlling interests	<u>(105,427)</u>	<u>(108,224)</u>
TOTAL EQUITY	<u>2,882,189</u>	<u>2,568,328</u>

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

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

2 BASIS OF PREPARATION

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

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**” issued by the IASB).

The directors have reviewed the Group’s cash flow projections prepared by management. The cash flow projections were based on management’s estimation of future cash inflows/outflows, including revenue from the processing and trading of coal and other products and the rendering of logistics services, gross margins, operating expenses, capital expenditure, finance costs, working capital requirements and the availability of borrowing facilities. The assumptions and estimations were based on the Group’s business performance for the six months ended 30 June 2018 and management’s expectations of developments in the coal market. In preparing the cash flow projections, management assumed that the recovery in the coal market would continue and, on that basis, developed assumptions relating to future coal selling prices, fluctuations in future coal procurement prices and future sales volumes.

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

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 3(b) for IFRS 9.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9:

	At 31 December 2017 \$'000	Impact on initial application of IFRS 9 (note 3(b)) \$'000	At 1 January 2018 \$'000
Other investments in equity securities	125,348	(21,358)	103,990
Total non-current assets	1,076,754	(21,358)	1,055,396
Trade and other receivables	3,386,636	(8,998)	3,377,638
Total current assets	5,161,852	(8,998)	5,152,854
Net current assets	1,860,586	(8,998)	1,851,588
Total assets less current liabilities	2,937,340	(30,356)	2,906,984
Net assets	2,568,328	(30,356)	2,537,972
Reserves	3,172,463	30,356	3,202,819
Total equity attributable to equity shareholders of the Company	(2,676,552)	30,356	(2,646,196)
Total equity	(2,568,328)	30,356	(2,537,972)

Further details of these changes are set out in sub-sections (b) of this note.

(b) IFRS 9, *Financial instruments*

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

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

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

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

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

(i) *Classification of financial assets and financial liabilities*

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

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

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

Notes:

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

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

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

(ii) Credit losses

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

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

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

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to \$8,998,000, which increased accumulated loss by \$8,998,000 at 1 January 2018.

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

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

(iii) Transition

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

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in accumulated loss and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):
 - the determination of the business model within which a financial asset is held.
 - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

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

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

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

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

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

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC22 does not have any material impact on the financial position and the financial result of the Group.

4 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 and geographical location of customers is as follows:

	Six months ended 30 June	
	2018	2017
	\$'000	\$'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
– Coal	11,916,813	10,019,593
– Petrochemical products	1,371,836	441,685
– Iron ore	793,003	51,599
– Nonferrous metals	156,344	–
– Rendering of logistics services	67,924	36,334
– Others	5,570	6,630
	<u>14,311,490</u>	<u>10,555,841</u>
Disaggregated by geographical location of customers		
– The PRC (including Hong Kong and Macau)	13,001,089	9,809,671
– Turkey	604,225	247,892
– India	350,425	–
– Korea	238,247	441
– United States	114,751	–
– Japan	–	277,061
– Singapore	–	220,776
– Others	2,753	–
	<u>14,311,490</u>	<u>10,555,841</u>

For the six months ended 30 June 2018, among the Group's revenue from the trading of coal and other products, \$1,461,954,000 (six months ended 30 June 2017: \$3,958,418,000) 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.

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Processing and trading of coal and other products		Logistics services		Total	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
For the six months ended 30 June						
Revenue from external customers	14,243,566	10,519,507	67,924	36,334	14,311,490	10,555,841
Inter-segment revenue	—	—	1,191	12,358	1,191	12,358
Reportable segment revenue	14,243,566	10,519,507	69,115	48,692	14,312,681	10,568,199
Reportable segment profit (adjusted EBITDA)	517,764	615,854	17,821	3,358	535,585	619,212
Interest income	2,531	908	190	48	2,721	956
Interest expense	(98,094)	(64,147)	—	(132)	(98,094)	(64,279)
Depreciation and amortisation	(27,889)	(20,652)	(1,529)	(1,245)	(29,418)	(21,897)
Reversal of impairment of non-current assets	16,456	15,138	—	—	16,456	15,138
Reversal of provision/(Provision) for impairment losses on trade and other receivables	79,536	9,202	(2,322)	—	77,214	9,202
Shares of (loss)/profit of associates	—	—	(1,582)	1,326	(1,582)	1,326
Additions to non-current segment assets during the period	144,965	226,616	747	236	145,712	226,852
As at 30 June/31 December						
Reportable segment assets	8,471,428	6,418,472	152,359	126,453	8,623,787	6,544,925
Reportable segment liabilities	5,251,252	3,475,809	371,684	379,817	5,622,936	3,855,626

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

(c) **Reconciliations of reportable segment profit or loss**

	Six months ended 30 June	
	2018	2017
	\$'000	\$'000
Revenue		
Reportable segment revenue	14,312,681	10,568,199
Elimination of inter-segment transactions	<u>(1,191)</u>	<u>(12,358)</u>
Consolidated revenue	<u>14,311,490</u>	<u>10,555,841</u>
Reportable segment profit	535,585	619,212
Share of (loss)/profit of associates	(1,582)	1,326
Depreciation and amortisation	(29,418)	(21,897)
Net finance costs	(88,137)	(72,164)
Reversal of impairment of non-current assets	16,456	15,138
Reversal of provision for impairment losses on trade and other receivables, net	<u>77,214</u>	<u>9,202</u>
Consolidated profit before taxation	<u>510,118</u>	<u>550,817</u>

5 PROFIT BEFORE TAXATION

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

(a) **Net finance costs**

	Six months ended 30 June	
	2018	2017
	\$'000	\$'000
Interest income	(2,721)	(956)
Changes in fair value on derivative financial instruments	<u>(21,278)</u>	<u>—</u>
Finance income	<u>(23,999)</u>	<u>(956)</u>
Interest on secured bank and other loans	22,493	20,936
Interest on discounted bills receivable	55,414	43,343
Interest on convertible bonds	<u>20,187</u>	<u>—</u>
Total interest expense	98,094	64,279
Bank charges	10,194	3,297
Foreign exchange loss, net	<u>3,848</u>	<u>5,544</u>
Finance costs	<u>112,136</u>	<u>73,120</u>
Net finance costs	<u>88,137</u>	<u>72,164</u>

(b) Staff costs

	Six months ended 30 June	
	2018	2017
	\$'000	\$'000
Salaries, wages, bonus and other benefits	131,180	120,211
Contributions to defined contribution retirement plan	3,571	2,431
Long-term incentive program granted (<i>note 16(b)(ii)</i>)	7,846	7,806
	<u>142,597</u>	<u>130,448</u>

(c) Other items

	Six months ended 30 June	
	2018	2017
	\$'000	(<i>note</i>) \$'000
Amortisation [#]		
– leased assets	6,051	5,467
– intangible assets	3,078	2,973
Depreciation [#]	20,289	13,457
Provision for impairment losses		
– trade receivables	2,864	–
Reversal provision of impairment losses on		
– trade receivables	(78,447)	(9,202)
– other receivables	(427)	–
– bills receivable	(1,204)	–
Reversal of impairment of non-current assets		
– loan to a third party (<i>note 9</i>)	(16,456)	(15,138)
Operating lease charges, mainly relating to buildings	8,299	2,877
Cost of inventories	<u>13,519,382</u>	<u>9,521,900</u>

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

[#] *Cost of inventories included \$21,283,000 (six months ended 30 June 2017: \$21,882,000) and \$14,307,000 (six months ended 30 June 2017: \$13,750,000) for the six months ended 30 June 2018 relating to staff costs, depreciation and amortisation which amount was also included in the respective total amount disclosed separately above or in note 5(b) for each type of these expenses.*

6 INCOME TAX

	Six months ended 30 June	
	2018	2017
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	15,995	1,168
Current tax – Outside of Hong Kong		
Provision for the period	14,271	73,440
Under/(over)-provision in respect of prior years	<u>1,120</u>	<u>(1,686)</u>
	<u>31,386</u>	<u>72,922</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the period.

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

The provision for PRC current income tax is based on a statutory rate of 25% (2017: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on profit attributable to equity shareholders of the Company of \$470,178,000 (six months ended 30 June 2017: \$481,022,000) and the weighted average number of ordinary shares of 3,088,228,000 (six months ended 30 June 2017: 3,057,385,000 shares) in issue during the six months ended 30 June 2018, calculated as follows:

Weighted average number of ordinary shares (basic):

	Six months ended 30 June	
	2018	2017
	'000	'000
Issued ordinary shares at 1 January	3,157,299	3,018,559
Effect of purchase of own shares (<i>note 16(b)(i)</i>)	(35,424)	(18,408)
Effect of shares held by the employee share trusts*	(33,647)	(35,139)
Effect of shares issued for exclusive service agreement	–	70,405
Effect of shares issued for settlement of contingent value rights	–	21,968
Weighted average number of ordinary shares (basic) as at 30 June	<u>3,088,228</u>	<u>3,057,385</u>

* *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):

	Six months ended 30 June	
	2018	2017
	\$'000	\$'000
Profit attributable to ordinary equity shareholders	470,178	481,022
Effect of potential ordinary shares – convertible bonds	<u>3,346</u>	<u>–</u>
Profit attributable to ordinary equity shareholders (diluted)	<u>473,524</u>	<u>481,022</u>

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

	Six months ended 30 June	
	2018	2017
	'000	'000
Weighted average number of ordinary shares at 30 June	3,088,228	3,057,385
Effect of potential ordinary shares – convertible bonds	<u>361,021</u>	<u>–</u>
Weighted average number of ordinary shares (diluted) as at 30 June	<u>3,449,249</u>	<u>3,057,385</u>

8 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with the amount of \$57,646,000 (six months ended 30 June 2017: \$92,286,000). On the other hand, items of property, and equipment with a net book value of \$65,615,000 were transferred to construction in progress for renovation, and items of property, plant and equipment with a net book value of \$9,268,000 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: \$1,554,000), resulting in a loss on disposal of \$4,392,000 (six months ended 30 June 2017: loss on disposal of \$464,000).

(b) As at 30 June 2018, property ownership certificates of certain properties of the Group with an aggregate net book value of \$5,950,000 (31 December 2017: \$364,000) are yet to be obtained.

(c) As at 30 June 2018, property, plant and equipment of the Group of \$1,883,000 (31 December 2017: \$nil) have been pledged as collateral for the Group's borrowings (see note 15).

As at 30 June 2018, property, plant and equipment of the Group of \$nil (31 December 2017: \$1,939,000) have been pledged as collateral for the Group's bills payable (see note 14).

9 OTHER NON-CURRENT ASSETS

	At 30 June 2018 \$'000	At 31 December 2017 \$'000
Loan to a third party	63,211	79,373
Less: impairment losses	<u>(63,211)</u>	<u>(79,373)</u>
	<u>—</u>	<u>—</u>

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 six months ended 30 June 2018, the Group has recovered loan principal of US\$2.10 million (equivalent to approximately \$16,456,000) from Moveday. The outstanding loan balance as at 30 June 2018 was US\$8.06 million (equivalent to approximately \$63,211,000) (31 December 2017: US\$10.16 million (equivalent to approximately \$79,373,000)).

As at 30 June 2018, the Group continues to make an impairment provision of \$63,211,000 (31 December 2017: \$79,373,000) taking into account the existence of uncertainties of future financial and operating circumstances of Moveday.

10 INVENTORIES

	At 30 June 2018 \$'000	At 31 December 2017 \$'000
Coal	1,229,025	520,441
Petrochemical products	62,992	13,214
Iron ore	4,609	58,334
Others	<u>18,093</u>	<u>29,363</u>
	<u>1,314,719</u>	<u>621,352</u>

11 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2018 \$'000	At 31 December 2017 (note) \$'000
Within 3 months	3,270,653	1,844,822
3 to 6 months	467,173	612,834
6 to 12 months	<u>271,652</u>	<u>273,533</u>
Trade debtors and bills receivable, net of loss allowance	4,009,478	2,731,189
Other debtors	<u>19,845</u>	<u>32,379</u>
Financial assets measured at amortised cost	4,029,323	2,763,568
Deposits and prepayments	644,061	524,400
Other tax recoverable	136,106	64,000
Derivative financial instruments*	<u>23,374</u>	<u>34,668</u>
	<u>4,832,864</u>	<u>3,386,636</u>

* As at 30 June 2018 and 31 December 2017, derivative financial instruments represented the fair value of commodity futures contracts entered into by the Group.

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

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

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

At 30 June 2018, bills receivable of the Group of \$11,861,000 (31 December 2017: \$233,202,000) have been pledged as collateral for the Group's borrowings (see note 15).

At 30 June 2018, bills receivable of the Group of \$2,980,928,000 (31 December 2017: \$1,167,894,000) have been discounted to banks (see note 15).

12 RESTRICTED BANK DEPOSITS

The Group has pledged bank deposits of \$291,922,000 (31 December 2017: \$601,335,000) as at 30 June 2018, which included collateral for the Group's borrowings with an aggregate carrying value of \$80,057,000 (31 December 2017: \$316,656,000) (see note 15) and collateral for bills payable with an aggregate carrying value of \$25,938,000 (31 December 2017: \$46,357,000) (see note 14).

13 CASH AND CASH EQUIVALENTS

	At 30 June 2018 \$'000	At 31 December 2017 \$'000
Cash at bank and in hand	<u>824,511</u>	<u>550,615</u>

At 30 June 2018, cash and cash equivalents of \$481,099,000 (31 December 2017: \$330,180,000), denominated in RMB, were held by the Company's subsidiaries located in mainland China. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

14 TRADE AND OTHER PAYABLES

	At 30 June 2018 \$'000	At 31 December 2017 \$'000
Trade and bills payables	399,525	379,650
Prepayments from customers	356,534	80,798
Payables in connection with construction projects	38,103	45,682
Payables for purchase of equipment	7,764	7,706
Derivative financial instruments	77,189	98,467
Dividend payables	109,726	5,308
Others	<u>363,751</u>	<u>395,144</u>
	<u>1,352,592</u>	<u>1,012,755</u>

At 30 June 2018, bills payable amounting to \$88,717,000 (31 December 2017: \$224,306,000) have been secured by restricted bank deposits with banks with an aggregate carrying value of \$25,938,000 (31 December 2017: \$46,357,000), property, plant and equipment with an aggregate carrying value of \$nil (31 December 2017: \$1,939,000), land use rights with an aggregate carrying value of \$nil (31 December 2017: \$1,054,000).

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

	At 30 June 2018 \$'000	At 31 December 2017 \$'000
Within 3 months	380,180	289,890
More than 3 months but less than 6 months	10,870	74,777
More than 6 months but less than 1 year	3,104	7,096
More than 1 year	5,371	7,887
	<u>399,525</u>	<u>379,650</u>

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

	At 30 June 2018 \$'000	At 31 December 2017 \$'000
Due within 1 month or on demand	281,197	155,344
Due after 1 month but within 3 months	118,328	149,537
Due after 3 months but within 6 months	–	74,769
	<u>399,525</u>	<u>379,650</u>

15 SECURED BANK AND OTHER LOANS

(a) The secured bank and other loans comprise:

	At 30 June 2018 \$'000	At 31 December 2017 \$'000
Bank loans	3,510,424	2,074,510
Other loans (<i>note</i>)	71,166	71,778
	<u>3,581,590</u>	<u>2,146,288</u>

Note: During the year ended 31 December 2017, the Group borrowed a loan from a third party company with principal amount of \$71,778,000 bearing interest rate at 7.8375% per annum and is repayable on 25 December 2018. Such loan was borrowed by that third party company from a commercial bank in Inner-Mongolia Autonomous Region, with the same loan principal amount, interest rate and maturity date terms, that the Group has provided guarantee to the third party company on its repayment of the loan.

During the six months ended 30 June 2018, the Group obtained new borrowing from banks of \$5,256,002,000 (six months ended 30 June 2017: \$1,619,781,000), which represented loan from bills receivables discounted/pledged to banks with recourse. Such borrowing of \$3,611,165,000 (six months ended 30 June 2017: \$197,669,000) has been repaid in the same period.

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

	At 30 June 2018 \$'000	At 31 December 2017 \$'000
Within 1 year	<u>3,581,590</u>	<u>2,146,288</u>

At 30 June 2018, bank loans amounting to \$62,389,000 (31 December 2017: \$504,609,000) have been secured by bills receivable with an aggregate carrying value of \$nil (31 December 2017: \$208,678,000) and bank deposits with an aggregate carrying value of \$64,045,000 (31 December 2017: \$316,656,000).

At 30 June 2018, bank loans amounting to \$2,980,928,000 (31 December 2017: \$1,167,894,000) have been secured by bills receivables with an aggregate carrying value of \$2,980,928,000 (31 December 2017: \$1,167,894,000).

At 30 June 2018, bank loans amounting to \$431,524,000 (31 December 2017: \$366,118,000) have been secured by property, plant and equipment with an aggregate carrying value of \$1,883,000 (31 December 2017: \$nil), land use rights with an aggregate carrying value of \$312,010,000 (31 December 2017: \$319,055,000), bills receivable with an aggregate carrying value of \$11,861,000 (31 December 2017: \$24,524,000) and bank deposits with an aggregate carrying value of \$16,012,000 (31 December 2017: \$nil).

At 30 June 2018, bank loan amounting to \$35,583,000 (31 December 2017: \$35,889,000) has been secured by credit guarantee with an amount of \$35,583,000 (31 December 2017: \$35,889,000) provided by a subsidiary of the Group.

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2018	2017
	\$'000	\$'000
Interim dividend declared after the interim period of \$nil (2017: \$0.038 per share)	—	120,199

The interim 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 during the interim period

	Six months ended 30 June	
	2018	2017
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of \$0.034 per share (six months ended 30 June 2017: \$0.077 per share)	106,144	242,497

(b) Share capital

	At 30 June 2018 No. of shares '000	At 31 December 2017 No. of shares '000
Authorised:		
Ordinary shares with no par value	6,000,000	6,000,000

	2018		2017	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	3,157,299	5,849,015	3,018,559	5,681,512
Cancellation of repurchased shares (note i)	(35,424)	(26,286)	(18,408)	(15,390)
Shares issued for exclusive services agreement	–	–	93,017	105,108
Shares issued for settlement of contingent value rights	–	–	64,131	77,785
At 30 June 2018/31 December 2017	<u>3,121,875</u>	<u>5,822,729</u>	<u>3,157,299</u>	<u>5,849,015</u>

(i) Cancellation of repurchased shares

During the six months ended 30 June 2018, the Company cancelled an aggregate of 35,424,000 shares purchased from the open market in 2017.

(ii) Employee share trust

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

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

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

During the six months ended 30 June 2018, the Company granted certain RSU Award in respect of an aggregate of 8,891,684 ordinary shares of the Company to certain grantees pursuant to the RSU Scheme. The ordinary shares of the Company underlying the grant of RSU Awards was settled by existing ordinary shares of the Company held by the employee share trusts.

The fair value of the granted ordinary shares was \$7,846,000 (six months ended 30 June 2017: \$7,806,000) based on quoted price of the Company's shares on the grant date, of which \$5,673,000 (six months ended 30 June 2017: \$6,952,000) was credited to the employee share trusts based on the weighted average cost of the granted ordinary shares, and the balance of \$2,173,000 (six months ended 30 June 2017: \$854,000) was credited to the other reserve.

In addition, the Company has repurchased its own shares in aggregate of 2,964,000 shares (six months ended 30 June 2017: 17,628,000 shares) at a cash consideration of \$1,998,000 (six months ended 30 June 2017: \$18,492,000) under the RSU Scheme during the period ended 30 June 2018.

EXTRACT OF REVIEW REPORT

The interim results are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The below sections set out an extract of the report by KPMG, the auditor of the Company, regarding the interim financial report of the Group for the six months ended 30 June 2018.

Basis for Qualified Conclusion

As disclosed in note 10 to the interim financial report, as at 30 June 2018, the Group had an outstanding loan due from Moveday Enterprises Limited (“Moveday”) of US\$8.06 million (equivalent to approximately \$63,211,000) (31 December 2017: US\$10.16 million (equivalent to approximately \$79,373,000)) after recovery of loan principal of US\$2.10 million (equivalent to approximately \$16,456,000) during the six months ended 30 June 2018. As at 30 June 2018, the Group continues to make an impairment provision of \$63,211,000 (31 December 2017: \$79,373,000) taking into account the existence of uncertainties relating to the future financial and operating circumstances of Moveday, but not the possibility of any further recovery that may be achieved in future through re-negotiation of the terms of the loan or alternative forms of settlement in kind. We qualified our auditor’s reports on the Group’s financial statements for the years ended 31 December 2017 and 31 December 2016 in respect of a limitation in the scope of our audit relating to this impairment loss provision, as we were unable to obtain sufficient appropriate audit evidence to evaluate the reasonableness of the assumptions adopted by the directors of the Company in estimating the expected timing and amounts of future cash flows arising from the loan. Given the inherent limitations in the scope of our review, which is by definition substantially less than an audit, and that this matter has not been resolved, we continue to be unable to reach a conclusion as to whether the directors’ judgement in this matter is appropriate and therefore whether the amount of this impairment provision is, or is not, in accordance with the applicable accounting framework.

Any decrease in the impairment losses recognised against the loan balance due from Moveday would affect the net assets of the Group as at 30 June 2018 and could also affect the Group’s profit for the six months then ended, the opening balance of accumulated losses as at 1 January 2018, net assets as at 31 December 2017, and the related disclosures in the interim financial report.

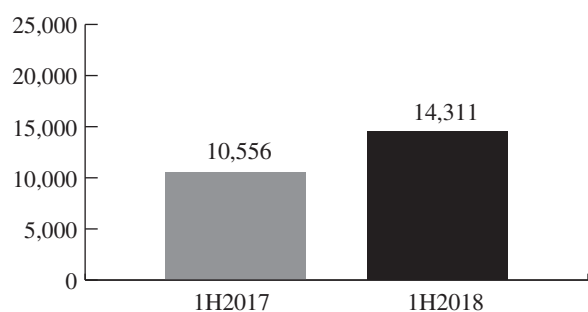
Qualified Conclusion

Except for the adjustments to the interim financial report that we might have become aware of had it not been the situation described above, based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

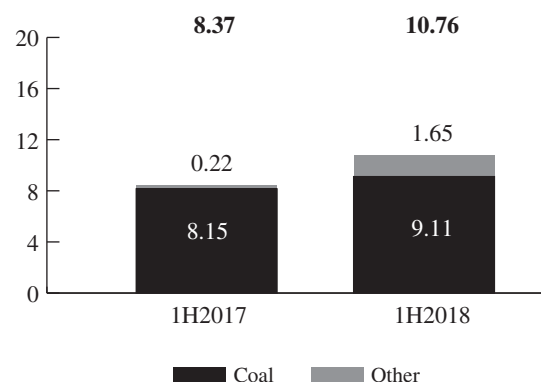
MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW

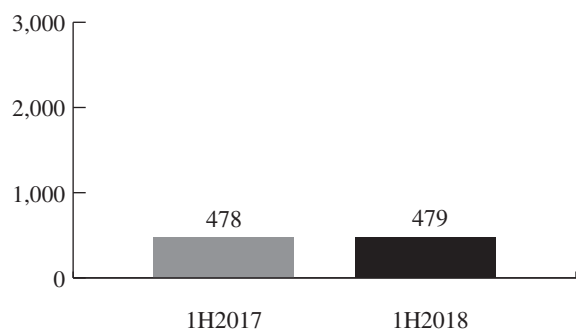
Revenue (in HK\$ million)



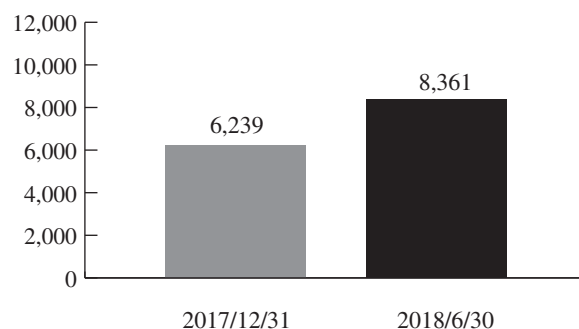
Supply Chain Trading Volume (million tonnes)



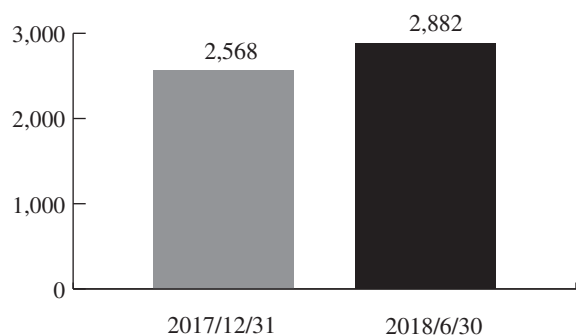
Net Profit (loss) (in HK\$ million)



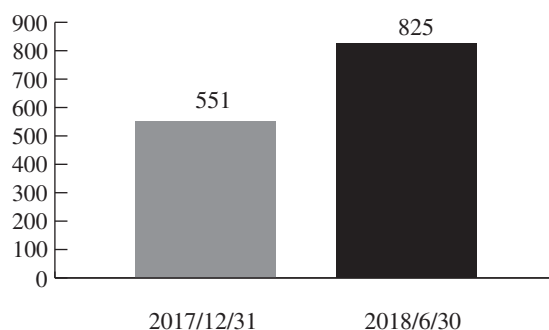
Total Assets (in HK\$ million)



Total Equity (in HK\$ million)



Cash Balance (in HK\$ million)



II. FINANCIAL REVIEW

1. Revenue Overview

In the first half of 2018, E-Commodities Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) recorded consolidated sales revenue of HK\$14,311 million, a 35.57% increase compared to HK\$10,556 million in the first half of 2017. The increase is primarily attributable to the increases in our supply chain trading business. In the first half of 2018, our supply chain trading volume was 10.76 million tonnes, a 28.55% increase compared to 8.37 million tonnes in the first half of 2017. In the first half of 2018, our supply chain trading revenue for coal products was HK\$11,917 million, accounting for approximately 83.27% of our total sales revenue of the first half of 2018.

Supply Chain Trading

In the first half of 2018, our supply chain trading business segment contributed the majority of our total revenue, which was HK\$14,238 million representing approximately 99.49% 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, petrochemical products, iron ore and nonferrous metals. For the first half of 2018, revenue from supply chain trading also included added value by rendering warehousing and internal logistics, which is not yet separable from supply chain trading revenue.

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Disaggregated by major products of service lines		
– Coal	11,916,813	10,019,593
– Petrochemical products	1,371,836	441,685
– Iron ore	793,003	51,599
– Nonferrous metals	156,344	–
– Rendering of logistics services	67,924	36,334
– Others	5,570	6,630
	<u>14,311,490</u>	<u>10,555,841</u>

In the first half of 2018, approximately 83.27% of sales revenue was generated from the sales of coal, compared to approximately 94.92% in the first half of 2017.

In the first half of 2018, sales revenue generated from the sales of petrochemical products and iron ore represented 9.59% and 5.54% of the total sales revenue, respectively, compared to 4.18% and 0.49%, respectively in the first half of 2017.

In the first half of 2018, the sales revenue from our top five customers accounted for 38.46% of our total sales, whereas the same ratio was 49.98% in the first half of 2017. These customers are mainly large-scale, state-owned steel groups throughout China, being leading companies in the industry.

Supply Chain Logistics

Our supply chain logistics segment is mainly providing warehousing and logistics services for our supply chain trading business and third parties. In the first half of 2018, this segment generated revenue of HK\$68 million, representing a 88.89% increase compared to HK\$36 million in the first half of 2017, which was generated by providing warehousing and logistics services for third parties.

The Company will continue to focus on our current business and will not expand into other new business areas in the foreseeable future.

2. Cost of Goods Sold (“COGS”)

COGS primarily consists of the purchase price, transportation costs, and processing costs. COGS in the first half of 2018 was HK\$13,560 million, representing a 42.00% increase compared to HK\$9,549 million in the first half of 2017. The increase was primarily attributable to the increased volume of trading in the first half of 2018. The procurement volume and amounts of each commodity are as follows:

	Six months ended 30 June			
	2018		2017	
	Procurement volume '000 tonnes	Procurement amounts HK\$'000	Procurement volume '000 tonnes	Procurement amounts HK\$'000
Coal	9,784	11,481,737	8,408	8,547,700
Petrochemical products	195	1,444,529	108	436,385
Nonferrous metals	6	146,084	—	—
Iron ore	1,363	750,527	271	150,230
	<u>11,349</u>	<u>13,822,877</u>	<u>8,787</u>	<u>9,134,315</u>

In the first half of 2018, total procurement amount was HK\$13,823 million, of which, the procurement amount from top five suppliers accounted for 37.59%. No director of the Company or their close associates, or shareholder of the Company owns more than 5% of the issued shares in the Company, has any interest in suppliers.

3. Gross Profit

The Group recorded a gross profit of HK\$751 million in the first half of 2018, compared to a gross profit of HK\$1,007 million recorded in the first half of 2017. The decrease in gross profit was mainly due to the lowered profitability per tonne of coking coal in the first half of 2018, and a moderately lower profit target due to new expansion into other non-coking coal commodities.

4. Distribution Costs

Distribution costs were HK\$69 million in the first half of 2018, representing a 61.88% decrease compared to HK\$181 million in the first half of 2017. Distribution costs include fees and charges incurred for supply chain trading and related logistics and transportation costs, which are mainly related to the sales of Mongolian coal. Due to the lowered efficiency of customs clearance at China-Mongolia border crossings in the first quarter of 2018, the import of Mongolian coal decreased in the first half of the year, which led to decreases in both the sales volume of Mongolian coal and the corresponding distribution costs.

5. Administrative Expenses

Administrative expenses were HK\$138 million in the first half of 2018, a decrease of 26.20% over HK\$187 million of administrative expenses incurred in the first half of 2017. This was mainly due to the reversal of an impairment loss as a result of repayments received from customers.

6. Net Finance Costs

In the first half of 2018, the Group recorded net finance costs of HK\$88 million in total, compared to net finance costs of HK\$72 million in the first half of 2017.

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Interest income	(2,721)	(956)
Changes in fair value on derivative financial instruments	<u>(21,278)</u>	<u>—</u>
Finance income	<u>(23,999)</u>	<u>(956)</u>
Interest on secured bank and other loans	22,493	20,936
Interest on discounted bills receivable	55,414	43,343
Interest on convertible bonds	<u>20,187</u>	<u>—</u>
Total interest expense	98,094	64,279
Bank charges	10,194	3,297
Foreign exchange loss, net	<u>3,848</u>	<u>5,544</u>
Finance costs	<u>112,136</u>	<u>73,120</u>
Net finance costs	<u><u>88,137</u></u>	<u><u>72,164</u></u>

On 14 September 2017, the Company issued convertible bonds (the “**Convertible Bonds**”) in the aggregate principal amount of US\$40,000,000 together with 118,060,606 warrants (the “**Warrants**”) to Lord Central Opportunity VII Limited the (“**Subscriber**”). The Convertible Bonds bear a nominal interest rate at 5% per annum payable semi-annually. The increase in the finance income was mainly due to the increase in the fair value of the Convertible Bonds. The increase in the finance costs was mainly due to the interest accrued on the Convertible Bonds.

7. Net Profit and Earnings Per Share

Our net profit was HK\$479 million in the first half of 2018, compared to net profit of HK\$478 million in the first half of 2017.

Basic earnings per share was HK\$0.152 in the first half of 2018. Diluted earnings per share was HK\$0.137 in the first half of 2018.

8. Other Non-Current Assets

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Loan to a third party	63,211	79,373
Less: impairment losses	<u>(63,211)</u>	<u>(79,373)</u>
	<u>—</u>	<u>—</u>

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 of each year from 2013 to 2015, inclusive, equal instalments in 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 in any event obliged to repay the entire outstanding principal on or before 31 December 2016.

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

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

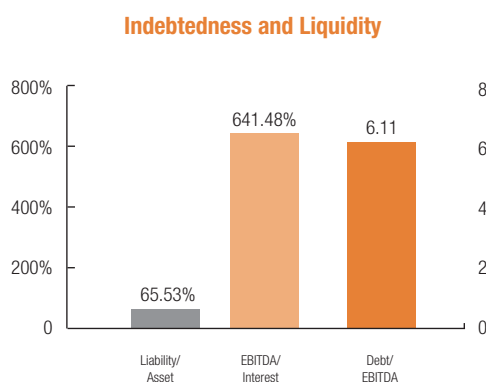
During the year ended 31 December 2017, the Group recovered loan principal of US\$5.34 million (equivalent to approximately HK\$41,692,000) from Moveday, including an amount of US\$0.73 million (equivalent to approximately HK\$5,770,000) payable by the Group in Moveday which was offset against outstanding loan principal.

During the six months ended 30 June 2018, the Group has recovered loan principal of US\$2.10 million (equivalent to approximately HK\$16,456,000) from Moveday. The outstanding loan balance as at 30 June 2018 was US\$8.06 million (equivalent to approximately HK\$63,211,000) (31 December 2017: US\$10.16 million (equivalent to approximately HK\$79,373,000)).

As at 30 June 2018, the Group continues to make an impairment provision of HK\$63,211,000 (31 December 2017: HK\$79,373,000) equal to the outstanding principal loan amount at such date taking into account the existence of uncertainties of future financial and operating circumstances of Moveday.

9. Indebtedness and Liquidity

The total amount of bank loans owed by the Group at the end of June 2018 was HK\$3,510 million. Interest rates on these loans range from 2.38% to 7.84% per annum, whereas the range for the same period in 2017 was from 1.96% to 7.84%. The Group's gearing ratio at the end of June 2018 was 65.53%, which represents an increase compared to 58.83% at the end of December 2017. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.

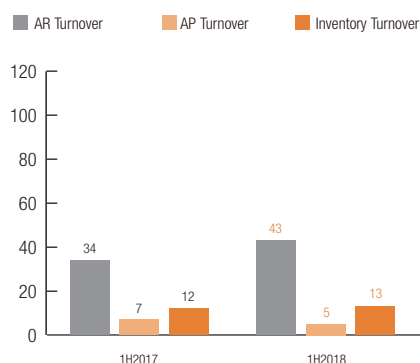


In supply chain trading activities, bank acceptance bills and letter of credit payments are common payment methods. The company discounts such bills and pledges the bills to against loans before they expire, but according to applicable accounting standards, such cashflows are classified as financing cashflows and are counted as liabilities. Therefore, they affects the Company's gearing ratio on the accounting statement date. Excluding the impact of the accounting and loans pledged by corresponding bank deposits, the Group's adjusted total assets were HK\$5,318 million and adjusted total liabilities were HK\$2,436 million. The adjusted gearing ratio at the end of June 2018 was 45.80%.

10. Working Capital

In the first half of 2018, our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 43 days, 5 days, and 13 days, respectively. As a result, the overall cash conversion cycle was approximately 51 days, which was 12 days longer than the Group's cash conversion cycle realised in the first half of 2017.

Working Capital



11. Pledge of Assets

At 30 June 2018, bank loans amounting to HK\$62,389,000 (31 December 2017: HK\$504,609,000) have been secured by bills receivable with an aggregate carrying value of HK\$ nil (31 December 2017: HK\$208,678,000) and bank deposits with an aggregate carrying value of HK\$64,045,000 (31 December 2017: HK\$316,656,000).

At 30 June 2018, bank loans amounting to HK\$2,980,928,000 (31 December 2017: HK\$1,167,894,000) have been secured by bills receivables with an aggregate carrying value of HK\$2,980,928,000 (31 December 2017: HK\$1,167,894,000).

At 30 June 2018, bank loans amounting to HK\$431,524,000 (31 December 2017: HK\$366,118,000) have been secured by property, plant and equipment with an aggregate carrying value of HK\$1,883,000 (31 December 2017: HK\$nil), land use rights with an aggregate carrying value of HK\$312,010,000 (31 December 2017: HK\$319,055,000), bills receivable with an aggregate carrying value of HK\$11,861,000 (31 December 2017: HK\$24,524,000) and bank deposits with an aggregate carrying value of HK\$16,012,000 (31 December 2017: HK\$nil).

At 30 June 2018, bank loans amounting to HK\$35,583,000 (31 December 2017: HK\$35,889,000) have been secured by credit guarantee with an amount of HK\$35,583,000 (31 December 2017: HK\$35,889,000) provided by a subsidiary of the Group.

At 30 June 2018, bills payable amounting to HK\$88,717,000 (31 December 2017: HK\$224,306,000) have been secured by restricted bank deposits with an aggregate carrying value of HK\$25,938,000 (31 December 2017: HK\$46,357,000), property, plant and equipment with an aggregate carrying value of HK\$nil (31 December 2017: HK\$1,939,000), land use rights with an aggregate carrying value of HK\$nil (31 December 2017: HK\$1,054,000).

12. Cash Flow

In the first half of 2018, our operating cash outflow was HK\$1,356 million compared to HK\$1,122 million cash outflow during the same period last year. The net cash outflow from operating activities was mainly due to HK\$1,645 million net cash received from discounted bills receivable with recourse rights and loans pledged by corresponding amounts of bills receivable, both of which have been accounted as financing activities, though the bills receivable were received from sales.

In the first half of 2018, the Group had a cash inflow from investing activities of HK\$282 million compared to HK\$168 million cash outflow during the same period last year. The cash inflow from investing activities in the first half of 2018 was generated mainly from a decrease in restricted bank deposits.

In the first half of 2018, the Group had a cash inflow from financing activities of HK\$1,351 million compared to HK\$1,142 million cash inflow during the same period last year. The difference is mainly due to an increase of net proceeds from bank and other loans. Among the proceeds from bank and other loans the Group received from financing activities in the first half of 2018, HK\$1,645 million was net cash received from discounted bills receivable with recourse rights and loans pledged with bills receivable.

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

	Six months ended 30 June 2018*	Adjustments	Adjusted six months ended 30 June 2018**
	<i>HK\$'000</i>		<i>HK\$'000</i>
Cash and cash equivalents at 1 January	550,615		550,615
Net cash generated from/(used in) operating activities	(1,355,952)	1,644,837	288,885
Net cash generated from/(used in) investing activities	281,715		281,715
Net cash generated from/(used in) financing activities	1,350,828	(1,644,837)	(294,009)
Effect of foreign exchange rate changes	<u>(2,695)</u>		<u>(2,695)</u>
Cash and cash equivalents at 30 June	<u><u>824,511</u></u>		<u><u>824,511</u></u>

* Derived from condensed consolidated cash flow statement of the Company's interim financial report.

** Illustrative purpose only.

III. RISK FACTORS

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

1. Volatility of Commodities Prices

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

2. Dependence Upon the Steel Industry

The revenue of the Company was mainly generated from supply chain trading services of coking coal products, which is heavily dependent on the demand for coking coal from 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 the debt restructuring, the Group made great efforts to maintain existing financing facilities and expand to new facilities in banks, state-owned companies, and other financial institutions to satisfy capital requirements of the Group in line with its booming trading businesses.

4. Currency risk

Over 34.99% of the Group's turnover in the first half of 2018 were denominated in Renminbi. Over 82.55% 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

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

IV. HUMAN RESOURCES

Employee Overview

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

As of 30 June 2018, the Group had 269 full-time employees (excluding 741 outsourced laborers in the PRC subsidiaries). Detailed figures by category of employees are as follows:

Functions	No. of Employee	Percentage
Middle and senior management	43	16%
Front-line production & production support & maintenance	87	32%
Sales & marketing	80	30%
Administrative, finance, human resources and operations, etc.	59	22%
Total	269	100%

Employee Education Overview

Qualifications	No. of Employee	Percentage
Master & above	44	16%
Bachelor	97	36%
Diploma	44	16%
Middle-school (secondary school) & below	84	32%
Total	269	100%

Training Overview

Training is key to the Company to improve the employees' working capabilities and management skills. For the six months ended 30 June 2018, the Company held various internal and external training programs amounting to 194 training hours in total, and 1,196 individuals participated in these programs.

Training Overview

Training Courses	No. of hours	No. of participants
Safety	133	1,093
Management and leadership	29	92
Professional skill	<u>32</u>	<u>11</u>
Total	<u><u>194</u></u>	<u><u>1,196</u></u>

V. 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 the first half of 2018.

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

The Company repurchased a total of 35,424,000 shares on the stock market during the year ended 31 December 2017 (the "Repurchased Shares") pursuant to the repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 9 June 2017. The Repurchased Shares were cancelled in January 2018 and the total number of shares of the Company in issue was reduced accordingly. As at 30 June 2018, the Company had a total of 3,121,874,356 shares in issue.

VII. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

VIII. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2018, the Company complied with the code provisions (the “**Code Provisions**”) under the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules. The Company fully complied with all the Code Provisions throughout the six months ended 30 June 2018.

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

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (“**Model Code**”) as its own code of conduct for dealing in securities of the Company by the directors 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 first half of 2018.

X. REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2018. The interim results are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

XI. DISCLOSURE OF INFORMATION ON THE HONG KONG STOCK EXCHANGE’S WEBSITE

This interim results announcement is published on the websites of the Company (www.e-comm.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2018 will be dispatched to shareholders of the Company and will be available on the above websites in due course.

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

Hong Kong, 23 August 2018

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