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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020 together with comparative figures for the same period in 2019.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2020 was HK$12,829 million.
- Profit for the six months ended 30 June 2020 was HK$248 million.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2020 was HK$255 million.
- Both basic earnings per share and diluted earnings per share for the six months ended 30 June 2020 were HK$0.084.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2020 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2020**	2019
		$'000	*$'000*
Revenue	*4*	**12,829,280**	13,728,344
Cost of sales		**(12,065,715)**	(13,092,044)
Gross profit		**763,565**	636,300
Other revenue		**7,035**	13,271
Distribution costs		**(43,116)**	(110,548)
Administrative expenses		**(295,481)**	(182,569)
Other operating expenses, net		**(22,877)**	(18,787)
(Impairment)/Reversal of impairment of non-current assets	*5(c)*	**(11,241)**	15,800
Profit from operating activities		**397,885**	353,467
Finance income	*5(a)*	**34,937**	7,871
Finance costs	*5(a)*	**(147,233)**	(120,858)
Net finance costs		**(112,296)**	(112,987)
Share of profits/(losses) of associates	*10*	**29,312**	(10)
Share of losses of joint ventures		**(5,526)**	–
Profit before taxation		**309,375**	240,470
Income tax	*6*	**(61,612)**	1,037
Profit for the period		**247,763**	241,507
Attributable to:			
Equity shareholders of the Company		**255,043**	237,747
Non-controlling interests		**(7,280)**	3,760
Profit for the period		**247,763**	241,507
Earnings per share	*7*		
Basic (HK$)		**0.084**	0.078
Diluted (HK$)		**0.084**	0.076

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Profit for the period	**247,763**	241,507
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**(1,572)**	(551)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(48,215)**	(18,225)
Total comprehensive income for the period	**197,976**	222,731
Attributable to:		
Equity shareholders of the Company	**202,866**	219,145
Non-controlling interests	**(4,890)**	3,586
Total comprehensive income for the period	**197,976**	222,731

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 June 2020 $'000	At 31 December 2019 $'000
Non-current assets			
Property, plant and equipment, net	*8*	**643,450**	657,682
Right-of-use assets	*9*	**720,027**	738,014
Construction in progress		**93,005**	81,624
Intangible assets		**90,325**	103,494
Interests in associates	*10*	**1,115,626**	1,116,007
Interests in joint ventures		**32,273**	16,656
Other investments in equity securities		**98,278**	103,355
Deferred tax assets		**14,433**	14,531
Total non-current assets		**2,807,417**	2,831,363
Current assets			
Inventories	*11*	**669,191**	1,387,414
Trade and other receivables	*12*	**2,192,841**	3,458,941
Restricted bank deposits	*13*	**1,221,046**	941,928
Cash and cash equivalents	*14*	**1,015,927**	702,915
Total current assets		**5,099,005**	6,491,198
Current liabilities			
Secured bank loans	*16*	**1,268,806**	2,887,531
Trade and other payables	*15*	**1,990,397**	2,058,552
Other interest-bearing borrowings		**656,832**	605,788
Lease liabilities		**77,582**	78,160
Income tax payable		**91,941**	72,088
Convertible bonds payables	*17*	**270,194**	237,502
Total current liabilities		**4,355,752**	5,939,621
Net current assets		**743,253**	551,577
Total assets less current liabilities		**3,550,670**	3,382,940

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
at 30 June 2020 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2020 $'000	At 31 December 2019 $'000
Non-current liabilities			
Lease liabilities		**97,535**	116,276
Deferred income		**120,864**	124,930
Total non-current liabilities		**218,399**	241,206
NET ASSETS		**3,332,271**	3,141,734
CAPITAL AND RESERVES			
Share capital	*18(b)*	**5,787,484**	5,789,362
Reserves		**(2,328,491)**	(2,527,970)
Total equity attributable to equity shareholders of the Company		**3,458,993**	3,261,392
Non-controlling interests		**(126,722)**	(119,658)
TOTAL EQUITY		**3,332,271**	3,141,734

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 report 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**"). It was authorised for issue on 27 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report 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 report 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 2019 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 financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report 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

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8, Definition of material

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

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	
	2020	2019
	$'000	*$'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
– Coal	**11,431,961**	11,385,892
– Petrochemical products	**877,924**	1,369,498
– Rendering of integrated supply chain services	**340,661**	57,526
– Iron ore	**64,580**	676,492
– Nonferrous metals	**93,286**	201,381
– Coke	**–**	28,320
– Others	**20,868**	9,235
	12,829,280	13,728,344
Disaggregated by geographical location of customers		
– The PRC (including Hong Kong, Macau and Taiwan)	**11,199,121**	11,688,794
– Korea	**737,603**	638,567
– India	**519,736**	497,107
– Turkey	**191,219**	671,972
– Poland	**92,290**	154,405
– United Kingdom	**80,180**	–
– Mongolia	**9,131**	–
– Indonesia	**–**	77,080
– Others	**–**	419
	12,829,280	13,728,344

For the six months ended 30 June 2020, among the Group's revenue from the trading of coal and other products, products totalling $402,905,000 (six months ended 30 June 2019: $969,787,000) were traded under framework contracts signed with certain third party companies pursuant to which those third party companies acted as agents of the Group to sign sale and purchase contracts with customers and suppliers whilst the Group were 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**	
	2020	2019	**2020**	2019	**2020**	2019
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
For the six months ended 30 June						
Disaggregated by timing of revenue recognition						
Point in time	**12,488,619**	13,670,818	**–**	–	**12,488,619**	13,670,818
Over time	**–**	–	**340,661**	57,526	**340,661**	57,526
Revenue from external customers	**12,488,619**	13,670,818	**340,661**	57,526	**12,829,280**	13,728,344
Inter-segment revenue	**–**	–	**74,404**	15,123	**74,404**	15,123
Reportable segment revenue	**12,488,619**	13,670,818	**415,065**	72,649	**12,903,684**	13,743,467
Reportable segment profit (adjusted EBITDA)	**515,166**	375,465	**25,169**	10,909	**540,335**	386,374
Interest income	**11,463**	7,521	**83**	350	**11,546**	7,871
Interest expense	**(107,077)**	(95,359)	**(6,016)**	–	**(113,093)**	(95,359)
Depreciation and amortisation	**(41,216)**	(47,062)	**(27,913)**	(1,501)	**(69,129)**	(48,563)
(Impairment)/Reversal of impairment of non-current assets	**(11,241)**	15,800	**–**	–	**(11,241)**	15,800
Provision for impairment losses on trade and other receivables	**(35,036)**	(139)	**(3,258)**	(15)	**(38,294)**	(154)
Additions to non-current segment assets during the period	**56,391**	107,472	**36,147**	2,353	**92,538**	109,825
As at 30 June/31 December						
Reportable segment assets	**7,147,271**	8,563,296	**1,259,043**	1,259,136	**8,406,314**	9,822,432
Reportable segment liabilities	**4,140,419**	5,852,727	**856,116**	770,414	**4,996,535**	6,623,141

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	
	2020	2019
	$'000	*$'000*
Reportable segment profit	**540,335**	386,374
Depreciation and amortisation	**(69,129)**	(48,563)
Net finance costs	**(112,296)**	(112,987)
(Impairment)/Reversal of impairment of non-current assets	**(11,241)**	15,800
Provision for impairment losses on trade and other receivables	**(38,294)**	(154)
Consolidated profit before taxation	**309,375**	240,470

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Interest income	**(11,546)**	(7,871)
Changes in fair value on conversion option embedded in convertible bonds and warrants *(note 17)*	**(23,391)**	–
Finance income	**(34,937)**	(7,871)
Interest on lease liabilities	**5,973**	2,269
Interest on secured bank loans	**17,297**	30,033
Interest on other interest-bearing borrowings	**13,970**	–
Interest on discounted bills receivable	**12,327**	39,601
Interest on convertible bonds *(note 17)*	**63,526**	23,456
Total interest expense	**113,093**	95,359
Bank and other charges	**18,506**	14,442
Foreign exchange loss, net	**15,634**	7,219
Changes in fair value on conversion option embedded in convertible bonds and warrants	**–**	3,838
Finance costs	**147,233**	120,858
Net finance costs	**112,296**	112,987

(b) Staff costs

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Salaries, wages, bonus and other benefits	**189,267**	103,054
Contributions to defined contribution retirement plan	**1,836**	3,815
	191,103	106,869

During the six months ended 30 June 2020, staff costs of the Group included accrued bonus of approximately $100,946,000 (six months ended 30 June 2019: $9,413,000) for the business sector teams, including coking coal and other teams. The following factors were considered in determining the bonus, business pre-tax profit (calculated by gross profit earned by each business sector team after deducting distributable finance costs and other distributable expenses) made by each business sector team, individual performance, and overall profit of the Company. A certain proportion ranging from 5%-20% of business pre-tax profit made by each business sector team is distributed to the 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, the extent to which the Company's resources are consumed, 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.

(c) Other items

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Amortisation and depreciation*		
– property, plant and equipment	**33,055**	27,980
– right-of-use assets	**32,449**	16,942
– intangible assets	**3,625**	3,641
Provision for impairment losses		
– trade receivables	**36,587**	578
– bills receivable	**1,707**	(424)
Impairment/(Reversal of impairment) of non-current assets		
– property, plant and equipment	**–**	(15,800)
– intangible assets	**11,241**	–
Cost of inventories*	**11,742,060**	13,057,961

* Cost of inventories included $109,000 (six months ended 30 June 2019: $21,495,000) and $629,000 (six months ended 30 June 2019: $17,527,000) for the six months ended 30 June 2020 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	
	2020	2019
	$'000	*$'000*
Current tax		
Provision for the period	**59,712**	17,248
Under/(Over)-provision in respect of prior years	**1,802**	(18,285)
Deferred Tax		
Origination and reversal of temporary differences	**98**	–
	61,612	(1,037)

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% (2019: 16.5%) of the estimated assessable profits for the period.

The provision for PRC current income tax is based on a statutory rate of 25% (2019: 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 2020 is based on profit attributable to equity shareholders of the Company of $255,043,000 (six months ended 30 June 2019: $237,747,000) and the weighted average number of ordinary shares of 3,032,305,000 (six months ended 30 June 2019: 3,055,074,000 shares) in issue during the six months ended 30 June 2020, calculated as follows:

Weighted average number of ordinary shares (basic):

	Six months ended 30 June	
	2020	2019
	'000	*'000*
Issued ordinary shares at 1 January	**3,046,563**	3,066,723
Effect of purchase of own shares	**(5,581)**	(19,285)
Effect of shares held by the employee share trusts*	**(8,677)**	7,636
Weighted average number of ordinary shares (basic) as at 30 June	**3,032,305**	3,055,074

* 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	
	2020	2019
	$'000	*$'000*
Profit attributable to ordinary equity shareholders	**255,043**	237,747
Effect of potential ordinary shares – convertible bonds	**–**	27,115
Profit attributable to ordinary equity shareholders (diluted)	**255,043**	264,862

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

	Six months ended 30 June	
	2020	2019
	’000	*’000*
Weighted average number of ordinary shares as at 30 June	**3,032,305**	3,055,074
Effect of potential ordinary shares – convertible bonds	**–**	432,222
Weighted average number of ordinary shares (diluted) as at 30 June	**3,032,305**	3,487,296

For the six months ended 30 June 2020, basic and diluted earnings per share was the same as the effect of the potential ordinary shares outstanding was anti-diluted.

8 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Acquisitions and disposals

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with the amount of $23,357,000 (six months ended 30 June 2019: $33,412,000). On the other hand, items of property, plant and equipment with a net book value of $1,792,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: $5,786,000), resulting in a gain on disposal of $127,000 (six months ended 30 June 2019: loss on disposal of $1,565,000).

(b) Transfer from construction in progress

During the six months ended 30 June 2020, construction in progress with a cost of $8,007,000 (six months ended 30 June 2019: $21,989,000) has been transferred into property, plant and equipment.

(c) As at 30 June 2020, property ownership certificates of certain properties of the Group with an aggregate net book value of $7,366,000 (31 December 2019: $8,027,000) are yet to be obtained.

(d) At 30 June 2020, property, plant and equipment of the Group of $19,883,000 (31 December 2019: $90,150,000) have been pledged as collateral for the Group’s borrowings (see note 16) and bills payable (see note 15).

9 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group entered into a number of lease agreements for land use rights and use of offices and machinery, and therefore recognised the additions to right-of-use assets of $29,315,000.

At 30 June 2020, land use rights of the Group of $50,291,000 (31 December 2019: $55,538,000) have been pledged as collateral for the Group's borrowings (see note 16) and bills payable (see note 15).

10 INTERESTS IN ASSOCIATES

The following list contains only the particulars of material 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 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 amount in the consolidated financial statements, is disclosed below:

	At 30 June 2020 *$'000*	**At 31 December** 2019 *$'000*
Gross amounts of the associate		
Current assets	**2,631,629**	2,915,882
Non-current assets	**3,454**	2,584
Current liabilities	**382,734**	662,629
Non-current liabilities	**197**	1,239
Equity	**2,252,152**	2,254,598

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Revenue	**1,470,274**	–
Profit for the period	**60,935**	–
Other comprehensive income	**(43,790)**	–
Total comprehensive income	**17,145**	–
Dividend received from the associate	**(19,591)**	–

Reconciled to the Group's interest in the associate

	At 30 June 2020	At 31 December 2019
	$'000	*$'000*
Gross amounts of net assets of the associate	**2,252,152**	2,254,598
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**1,103,555**	1,104,753
Carrying amount in the consolidated financial statements	**1,103,555**	1,104,753

Aggregate information of the associates that is not individually material:

	At 30 June 2020	At 31 December 2019
	$'000	*$'000*
Aggregate carrying amount of the individually immaterial associates in the consolidated financial statements	**12,071**	11,254

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Aggregate amounts of the Group's share of the associates'		
Loss from continuing operations	**(546)**	(10)
Total comprehensive income	**(546)**	(10)

11 INVENTORIES

	At 30 June 2020 $'000	At 31 December 2019 $'000
Coal	**642,176**	1,366,021
Others	**27,015**	21,393
	669,191	1,387,414

At 30 June 2020, inventories of the Group of $122,700,000 (31 December 2019: $88,012,000) have been pledged as collateral for the Group's borrowings (see note 16).

12 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 2020 $'000	At 31 December 2019 $'000
Within 3 months	**917,667**	1,772,853
3 to 6 months	**200,001**	523,523
6 to 12 months	**21,896**	36,211
Trade debtors and bills receivable, net of loss allowance	**1,139,564**	2,332,587
Other debtors	**156,288**	80,012
Financial assets measured at amortised cost	**1,295,852**	2,412,599
Deposits and prepayments	**793,681**	915,701
Other tax recoverable	**84,627**	96,898
Derivative financial instruments*	**18,681**	33,743
	2,192,841	3,458,941

* As at 30 June 2020 and 31 December 2019, derivative financial instruments represented the fair value of commodity futures contracts entered into by the Group.

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

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

At 30 June 2020, bills receivable of the Group of $151,785,000 (31 December 2019: $107,288,000) have been pledged as collateral for the Group's bills payable (see note 15).

At 30 June 2020, bills receivable of the Group of $224,612,000 (31 December 2019: $178,578,000) have been pledged as collateral for the Group's borrowings (see note 16).

At 30 June 2020, bills receivable of the Group of $406,565,000 (31 December 2019: $1,869,073,000) have been discounted to banks with recourse (see note 16).

At 30 June 2020, trade receivables of the Group of $50,266,000 (31 December 2019: $nil) have been pledged as collateral for the Group's bills payable (see note 15).

13 RESTRICTED BANK DEPOSITS

The Group has pledged bank deposits of $1,099,260,000 (31 December 2019: $796,246,000) as at 30 June 2020 as collateral for the Group's borrowings (see note 16) and banking facilities in respect of issuance of bills and letters of credit by the Group (see note 15).

14 CASH AND CASH EQUIVALENTS

	At 30 June 2020	At 31 December 2019
	$'000	*$'000*
Cash at bank and in hand	**1,015,927**	702,915

At 30 June 2020, cash and cash equivalents of $566,055,000 (31 December 2019: $569,192,000) was held by the entities of the Group in form of RMB in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

15 TRADE AND OTHER PAYABLES

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 2020 *$'000*	At 31 December 2019 *$'000*
Within 3 months	**864,738**	911,704
More than 3 months but less than 6 months	**379,296**	182,560
More than 6 months but less than 1 year	**192,005**	308,460
More than 1 year	**6,585**	5,630
Total trade and bills payable	**1,442,624**	1,408,354
Prepayments from customers	**227,074**	271,579
Payables in connection with construction projects	**67,729**	55,688
Payables for purchase of equipment	**9,177**	28,025
Payables for staff related costs	**116,155**	82,598
Payables for other taxes	**9,367**	53,552
Derivative financial instruments	**–**	15,851
Others	**118,271**	142,905
	1,990,397	2,058,552

At 30 June 2020, bills payable amounting to $45,684,000 (31 December 2019: $nil) have been secured by trade receivables with an aggregate carrying value of $50,266,000 (31 December 2019: $nil).

At 30 June 2020, bills payable amounting to $888,611,000 (31 December 2019: $681,237,000) have been secured by restricted bank deposits with an aggregate carrying value of $738,667,000 (31 December 2019: $520,010,000) and bills receivable with an aggregate carrying value of $151,785,000 (31 December 2019: $107,288,000) and trade receivables with an aggregate carrying value of $nil (31 December 2019: $37,362,000).

At 30 June 2020, bills payable amounting to $213,996,000 (31 December 2019: $151,918,000) together with bank loans amounting to $177,453,000 (31 December 2019: $277,336,000) have been secured by restricted bank deposits with an aggregate carrying value of $102,573,000 (31 December 2019: $48,001,000), property, plant and equipment with an aggregate carrying value of $19,883,000 (31 December 2019: $90,150,000), and land use rights with an aggregate carrying value of $50,291,000 (31 December 2019: $55,538,000).

16 SECURED BANK LOANS

(a) The secured bank loans comprise:

	At 30 June 2020 *$'000*	At 31 December 2019 *$'000*
Short-term loans	**1,268,806**	2,887,531

The interest rates per annum of bank loans were:

	At 30 June 2020	At 31 December 2019
Short-term loans	**1.1845% – 10.45%**	2.00% – 10.45%

At 30 June 2020, bank loans amounting to $462,867,000 (31 December 2019: $399,243,000) have been secured by bills receivable with an aggregate carrying value of $224,612,000 (31 December 2019: $178,578,000) and restricted bank deposits with an aggregate carrying value of $258,020,000 (31 December 2019: $228,235,000).

At 30 June 2020, bank loans amounting to $406,565,000 (31 December 2019: $1,869,073,000) have been secured by bills receivable with recourse an aggregate carrying value of $406,565,000 (31 December 2019: $1,869,073,000).

At 30 June 2020, bank loans amounting to $177,453,000 (31 December 2019: $277,336,000) together with bills payable amounting to $213,996,000 (31 December 2019: $151,918,000) have been secured by restricted bank deposits with an aggregate carrying value of $102,573,000 (31 December 2019: $48,001,000), property, plant and equipment with an aggregate carrying value of $19,883,000 (31 December 2019: $90,150,000), and land use rights with an aggregate carrying value of $50,291,000 (31 December 2019: $55,538,000).

At 30 June 2020, bank loans amounting to $100,500,000 (31 December 2019: $254,516,000) have been secured by credit guarantee with a guarantee amount of $100,722,000 (31 December 2019: $254,516,000) provided by subsidiaries of the Group.

At 30 June 2020, bank loans amounting to $121,421,000 (31 December 2019: $87,363,000) have been secured by inventories with an aggregate carrying value of $122,700,000 (31 December 2019: $88,012,000).

17 CONVERTIBLE BONDS PAYABLES

	Liability component	Derivatives component	Warrants	Total
	$'000	*$'000*	*$'000*	*$'000*
At 1 January 2019	254,424	61,920	236	316,580
Interest charged during the year	44,626	–	–	44,626
Repayment	(68,070)	(16,395)	–	(84,465)
Repayment of interests	(15,668)	–	–	(15,668)
Fair value adjustment	–	(22,184)	(186)	(22,370)
Exchange adjustment	(1,201)	–	–	(1,201)
At 31 December 2019 and 1 January 2020	214,111	23,341	50	237,502
Interest charged during the period *(note 5(a))*	63,526	–	–	63,526
Repayment of interests	(5,824)	–	–	(5,824)
Fair value adjustment *(note 5(a))*	–	(23,341)	(50)	(23,391)
Exchange adjustment	(1,619)	–	–	(1,619)
At 30 June 2020	270,194	–	–	270,194

On 14 September 2017, the Company issued convertible bonds in the aggregate principal amount of US$40,000,000 together with 118,060,606 units of warrants to Lord Central Opportunity VII Limited ("**Subscriber**"). The convertible bonds bear a nominal interest rate at 5% per annum payable semi-annually. The maturity date of the convertible bonds is 14 September 2022. The convertible bonds are convertible into ordinary shares of the Company at the option of the holders of the convertible bonds at any time after the issue date of the convertible bonds and up to the maturity date at an initial conversion price of $0.862 per share, subject to adjustments. As stated in the Company's announcement dated 25 September 2019, pursuant to the provision on adjustments to the conversion price set out in the terms and conditions of the convertible bonds, the conversion price was adjusted to $0.604 per share.

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

In addition, the Subscriber was entitled to 118,060,606 warrants which are exercisable any time from the issue date and up to the fifth anniversary after the issue date, at an initial subscription price of $0.948, subject to adjustments. On 25 September 2019, pursuant to the provision on adjustments to the subscription price set out in the terms and conditions of the warrants, the subscription price was adjusted from $0.908 to $0.761 per share.

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

On 15 September 2019, the Company redeemed US$10,000,000 of the outstanding principal amount of the convertible bonds as required. In addition, the Company paid a fee of US$900,000 to the convertible bondholder for not to exercise its right to require the Company to redeem all or part of the outstanding principal amount of the remaining convertible bonds before 14 September 2020.

On 16 June 2020, the Company and the Subscriber have mutually and irrevocably agreed to early redeem all the remaining outstanding principal amount of the convertible bonds on or before 14 September 2020, resulting in an interest expenses of $43,820,000 being recognised in profit or loss during the six months ended 30 June 2020 in respect of the excess of the outstanding principal amount and all accrued but unpaid interest of the convertible bonds over the liability component of the convertible bonds measured at amortised cost on the same date. In addition, interest expenses of $19,706,000 (six months ended 30 June 2019: $23,456,000) calculated using the effective interest method have been recognised in profit or loss during the six months ended 30 June 2020.

On 14 August 2020, all the remaining outstanding principal amount of the convertible bonds have been redeemed.

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

There is no interim dividend declared attributable to the six months ended 30 June 2020 (six months ended 30 June 2019: $nil).

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

	Six months ended 30 June	
	2020	2019
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of $nil per share (six months ended 30 June 2019: $0.072 per share)	–	218,497

(b) Share capital

	At **30 June 2020** ***No. of shares*** ***'000***	At 31 December 2019 *No. of shares* *'000*
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

	2020 ***No. of shares*** ***'000***	***$'000***	2019 *No. of shares* *'000*	*$'000*
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	**3,046,563**	**5,789,362**	3,066,723	5,797,302
Purchase of own shares *(note i)*	**(5,364)**	**(1,878)**	(20,160)	(7,940)
At 30 June 2020/31 December 2019	**3,041,199**	**5,787,484**	3,046,563	5,789,362

(i) Purchase of own shares

During the six months ended 30 June 2020, the Company cancelled in aggregate of 5,364,000 of its own shares which were purchased from the open market.

(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.

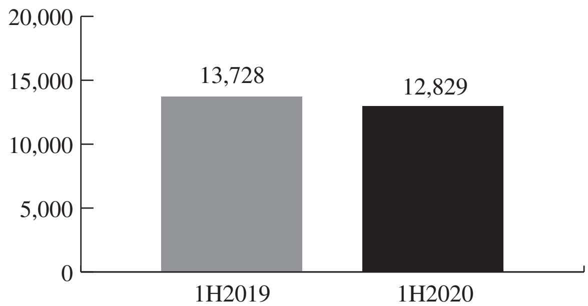
The administrator of the employee share trusts transfers the shares of the Company to employees upon vesting.

During the six months ended 30 June 2020, the Company has repurchased on-market own shares in aggregate of 23,772,000 shares (six months ended 30 June 2019: 42,792,000 shares) at a cash consideration of $5,064,000 (six months ended 30 June 2019: $16,926,000) under the RSU Scheme.

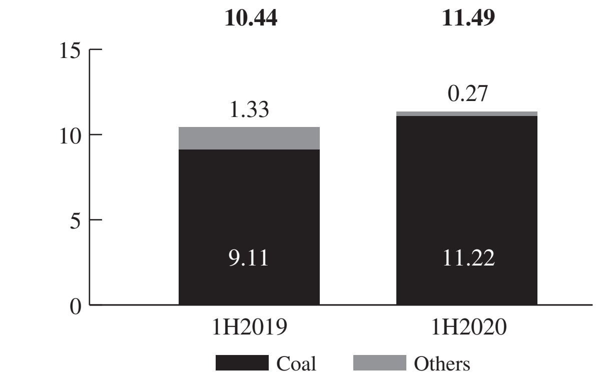
MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW

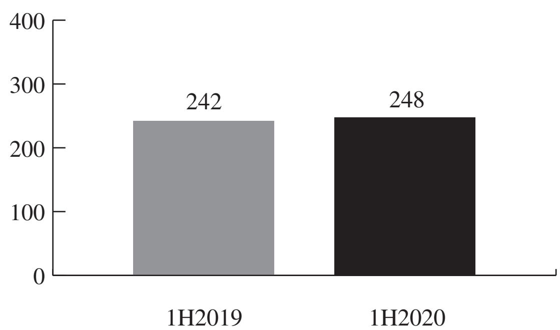
Revenue *(in HK$ million)*



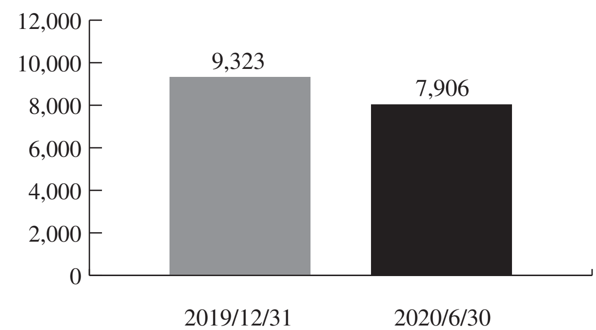
Trading Volume of Commodities *(million tonnes)*



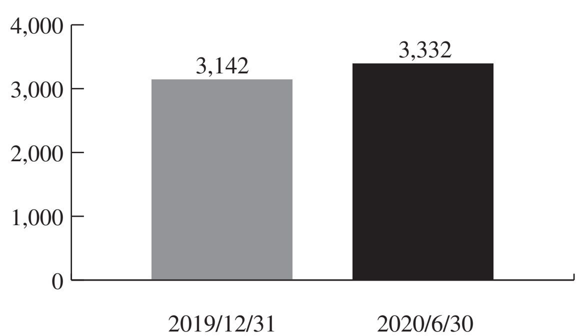
Net Profit *(in HK$ million)*



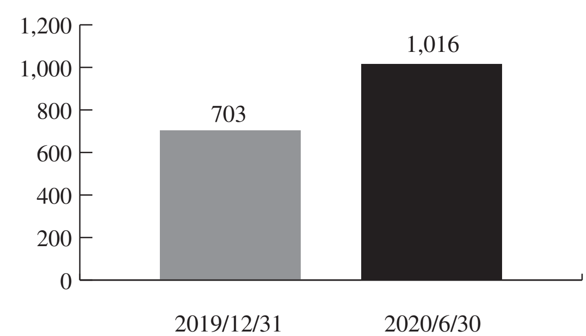
Total Assets *(in HK$ million)*



Total Equity *(in HK$ million)*



Cash Balance *(in HK$ million)*



II. FINANCIAL REVIEW

1. Revenue Overview

In the first half of 2020, the Group recorded consolidated revenue of HK$12,829 million, representing a slight decrease of 6.55% compared to HK$13,728 million in the first half of 2019. Such decrease was primarily caused by the transfer of the Mongolian coal trading business to Xianghui Energy (Xiamen) Co., Ltd. (象暉能源(廈門)有限公司) ("**Xianghui Energy**") in accordance with the terms of the cooperation agreement dated 25 July 2019 entered into between the Company and Xiamen Xiangyu Co., Ltd. (廈門象嶼股份有限公司) ("**Xiamen Xiangyu**"), the revenue of trading was accounted in Xianghui Energy and the profit was accounted as share of profit of an associate in the Group.

In the first half of 2020, our trading volume of commodities was 11.49 million tonnes, representing an increase of 10.06% compared to 10.44 million tonnes in the first half of 2019, in which, trading volume of coking coal sharply increased by 38.17% from 7.86 million tonnes in the first half of 2019 to 10.86 million tonnes in the first half of 2020. With respect to the trading of commodities business, the gross profit generated from coking coal trading increased from HK$557 million in the first half of 2019 to HK$697 million in the first half of 2020.

In the first half of 2020, sales revenue generated from integrated supply chain services was HK$341 million, representing an increase of 487.93% compared to approximately HK$58 million in the first half of 2019. Such increase was contributed by the strategic separation of the Company's businesses sectors of commodities trading and supply chain services. Based on the stable development of commodities trading, the Company will focus on developing related business as an integrated supply chain service provider, and provide third parties with integrated supply chain service including, among others, warehousing, logistics, washing and processing for commodities.

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Disaggregated by major products of service lines		
– Coal	**11,431,961**	11,385,892
– Petrochemical products	**877,924**	1,369,498
– Rendering of integrated supply chain services	**340,661**	57,526
– Iron ore	**64,580**	676,492
– Nonferrous metals	**93,286**	201,381
– Coke	**–**	28,320
– Others	**20,868**	9,235
	12,829,280	13,728,344

In the first half of 2020, the Group also expanded its geographic coverage of business to the United Kingdom and other regions. Approximately HK$1,630 million of sales were generated from outside of the PRC (including Hong Kong, Macau and Taiwan), showing the great effort of the Group in global market expansion and market diversification.

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
– PRC (including Hong Kong, Macau and Taiwan)	**11,199,121**	11,688,794
– Korea	**737,603**	638,567
– India	**519,736**	497,107
– Turkey	**191,219**	671,972
– Poland	**92,290**	154,405
– United Kingdom	**80,180**	–
– Mongolia	**9,131**	–
– Indonesia	**–**	77,080
– Others	**–**	419
	12,829,280	13,728,344

In the first half of 2020, the sales revenue from our top five customers accounted for 33.83% of our total sales, whereas the same ratio was 37.84% in the first half of 2019. These customers are mainly large-scale, state-owned steel groups throughout China, all being leading companies in the industry.

Trading of Commodities

In the first half of 2020, our trading of commodities business sector contributed the majority of our revenue, accounting for HK$12,468 million, representing approximately 97.19% of the total revenue. This sector generates income by providing commodities trading services to our end customers, covering diversified commodities including, among others, coal products, petrochemical products, iron ore and nonferrous metals.

Integrated Supply Chain Services

In 2019, the Group integrated the supply chain logistics service sectors, 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 Group'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.

Currently, integrated supply chain services sector mainly provides warehousing, logistics and coal processing services for Xianghui Energy and third parties. HK$341 million revenue was generated from this sector in the first half of 2020, a significant increase of 487.93% compared to HK$58 million in first half of 2019.

The Group further explore the integrated supply chain services for commodities, beside of steady development of commodities trading.

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

COGS primarily consists of the purchase price, transportation costs and processing costs. COGS in the first half of 2020 was HK$11,750 million, representing a 10.25% decrease compared to HK$13,092 million in the first half of 2019. The decrease was primarily due to the transfer of the Mongolian coal business from the Company to Xianghui Energy, therefore, the procurement volume and amounts have been transferred and recorded in Xianghui Energy. The procurement volume and amounts of each commodity are as follows:

	Six months ended 30 June			
	2020		2019	
	Procurement volume	**Procurement amounts**	Procurement volume	Procurement amounts
	'000 tonnes	***HK$'000***	*'000 tonnes*	*HK$'000*
Coal	**10,609**	**10,333,139**	9,038	10,515,378
Petrochemical products	**191**	**890,727**	254	1,429,858
Nonferrous metals	**6**	**92,202**	9	199,883
Iron ore	**85**	**74,387**	1,078	654,985
Coke	**–**	**–**	15	30,312
	10,891	**11,390,455**	10,394	12,830,416

In the first half of 2020, the total procurement amount was HK$11,390 million, of which, the procurement amount from top five suppliers accounted for 63.26% and such suppliers are mainly the leading coking coal suppliers in the world. 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 shareholder of the Company owning more than 5% of the issued shares in the Company, has any interest in any of our suppliers.

3. Gross Profit

The Group recorded a gross profit of HK$764 million in the first half of 2020, compared to a gross profit of HK$636 million in the first half of 2019. The increase in gross profit was mainly due to the increased gross profit from coking coal from HK$557 million in the first half of 2019 to HK$697 million in the first half of 2020. The increase was mainly contributed by the increased sales volume of coking coal from 7.86 million tonnes in the first half of 2019 to 10.86 million tonnes in the first half of 2020, as well as the widened price difference between domestic and overseas coal as a result of COVID-19.

4. Distribution Costs

Distribution costs incurred in the first half of 2020 were HK$43 million, representing a 61.26% decrease compared to HK$111 million in the first half of 2019. The decrease in distribution costs was mainly due to the transfer of our Mongolian coal trading business to Xianghui Energy, which led to a corresponding decrease in the distribution costs of Mongolian coal trading business.

5. Administrative Expenses

Administrative expenses incurred in the first half of 2020 were HK$295 million, representing an increase of 61.20% over HK$183 million incurred in the first half of 2019. This was mainly due to the increase in the accrued bonus in the first half of 2020 for the business sector teams including coking coal and other teams, which was approximately HK$101 million. The following factors were considered in determining the bonus, business pre-tax profit contribution (calculated by gross profit earned by each business sector team after deducting distributable finance costs and other distributable expenses) made by each business sector team, individual performance, and overall profit of the Company and etc. A certain proportion ranging from 5%-20% of business pre-tax profit made by each business sector team is accrued to the 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, the extent to which the Company's assets and resources are applied, the competition fierceness of the market, the difficulty of businesses execution, and other comprehensive factors, with the aim of goal consistency of business teams and the Company in profit making, so as to maintain team stability and morale and absorb more excellent teams joining the Company for sufficient team incentives. The schemes will incentivize business teams to fight for higher market percentage and better profit for the Company and its shareholders, so as to form sustainable competitive advantages of the Company in the industries.

6. Net Finance Costs

Net finance costs incurred in the first half of 2020 were HK$112 million, which is the same level compared to net finance costs of HK$113 million in the first half of 2019. The increase in the finance income was mainly due to the changes in the fair value on conversion option embedded in convertible bonds and warrants. The increase in finance costs was mainly due to one-off interest expenses incurred in relation to the full redemption of convertible bonds.

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interest income	**(11,546)**	(7,871)
Changes in fair value on conversion option embedded in convertible bonds and warrants	**(23,391)**	–
Finance income	**(34,937)**	(7,871)
Interest on lease liabilities	**5,973**	2,269
Interest on secured bank loans	**17,297**	30,033
Interest on other interest-bearing borrowings	**13,970**	–
Interest on discounted bills receivable	**12,327**	39,601
Interest on convertible bonds	**63,526**	23,456
Total interest expense	**113,093**	95,359
Bank and other charges	**18,506**	14,442
Foreign exchange loss, net	**15,634**	7,219
Changes in fair value on conversion option embedded in convertible bonds and warrants	**–**	3,838
Finance costs	**147,233**	120,858
Net finance costs	**112,296**	112,987

7. Net Profit and Earnings Per Share

Our net profit for the first half of 2020 was HK$248 million, compared to net profit of HK$242 million for the first half of 2019.

Both basic earnings per share and diluted earnings per share for the six months ended 30 June 2020 were HK$0.084.

8. Interest in Xianghui Energy

On 25 July 2019, the Company and Xiamen Xiangyu 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.

Xianghui Energy sold approximately 1.42 million tonnes of coal and recorded a revenue of HK$1,470 million and net profit of HK$61 million in the first half of 2020.

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

	At 30 June 2020	At 31 December 2019
	HK$'000	*HK$'000*
Gross amounts of the associate		
Current assets	**2,631,629**	2,915,882
Non-current assets	**3,454**	2,584
Current liabilities	**382,734**	662,629
Non-current liabilities	**197**	1,239
Equity	**2,252,152**	2,254,598

	At 30 June 2020	At 31 December 2019
	HK$'000	*HK$'000*
Gross amounts of net assets of the associate	**2,252,152**	2,254,598
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**1,103,555**	1,104,753
Carrying amount in the consolidated financial statements	**1,103,555**	1,104,753

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Revenue	**1,470,274**	–
Profit for the period	**60,935**	–
Group's effective interest	**49%**	–
Group's share of profit of the associate	**29,858**	–

9. Inventories

	At 30 June 2020 *HK$'000*	At 31 December 2019 *HK$'000*
Coal	**642,176**	1,366,021
Others	**27,015**	21,393
	669,191	1,387,414

Inventories as at 30 June 2020 were HK$669 million, representing a 51.77% decrease compared to HK$1,387 million as at 31 December 2019. The decrease in inventories was mainly due to the decrease in inventories of the Mongolian coal and seaborne coal.

(a) The decrease in inventories of the Mongolian coal mainly due to the transfer of the Mongolian coal business from trading business to integrated supply chain services.

(b) The decrease in inventories of seaborne coal was mainly due to the impact of import policy on customs clearance efficiency.

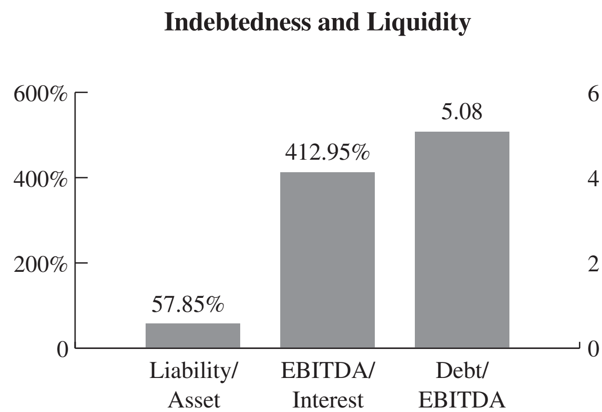
10. Trade and other receivables

	At 30 June 2020 *HK$'000*	At 31 December 2019 *HK$'000*
Trade Receivables	**230,129**	146,625
Bills Receivable	**952,985**	2,191,239
Less: allowance for doubtful debts	**(43,550)**	(5,277)
Trade debtors and bills receivable, net of loss allowance	**1,139,564**	2,332,587
Prepayments to suppliers	**602,825**	706,384
Others	**450,452**	419,970
	2,192,841	3,458,941

Trade and other receivables were HK$2,193 million as at 30 June 2020, representing a 36.60% decrease compared to HK$3,459 million as at 31 December 2019. This was mainly because of the transfer of the Mongolian coal business to Xianghui Energy, which led to a corresponding decrease in bills receivable.

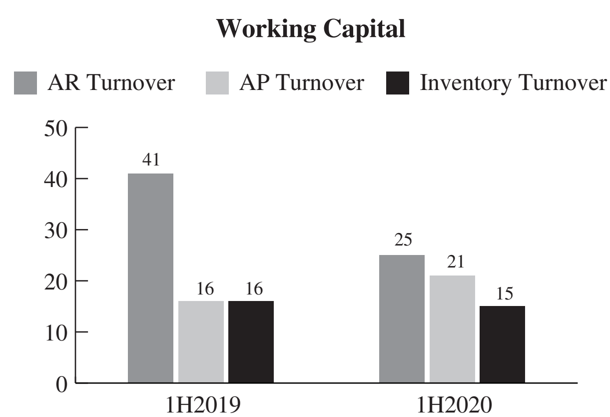
11. Indebtedness and Liquidity

The total amount of bank loans owed by the Group at the end of June 2020 was HK$1,269 million. Interest rates on these loans range from 1.1845% to 10.45% per annum, whereas the range for the same period in 2019 was from 2.73% to 10.45%. The Group's gearing ratio at the end of June 2020 was 57.85%, which represents a decrease compared to 66.30% at the end of December 2019. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.



12. Working Capital

In the first half of 2020, our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 25 days, 21 days, and 15 days, respectively. As a result, the overall cash conversion cycle was approximately 19 days, which was 22 days shorter than the Group's cash conversion cycle realised in the first half of 2019.



13. 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 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.

On 14 August 2020, the Company redeemed the outstanding Bonds in full. Following the redemption, there is no principal amount outstanding under the Convertible Bonds and no Convertible Bonds have been or will be converted into shares of the Company. The Convertible Bonds were fully cancelled and the Company was discharged from all the obligations under and in respect of the Convertible Bonds. The guarantees provided by the subsidiaries of the Company in relation to the Convertible Bond and Warrants were released and discharged following the completion of the redemption.

14. Pledge of Assets

At 30 June 2020, bank loans amounting to HK$462,867,000 (31 December 2019: HK$399,243,000) had been secured by bills receivable with an aggregate carrying value of HK$224,612,000 (31 December 2019: HK$178,578,000) and restricted bank deposits with an aggregate carrying value of HK$258,020,000 (31 December 2019: HK$228,235,000).

At 30 June 2020, bank loans amounting to HK$406,565,000 (31 December 2019: HK$1,869,073,000) had been secured by bills receivable with recourse an aggregate carrying value of HK$406,565,000 (31 December 2019: HK$1,869,073,000).

At 30 June 2020, bank loans amounting to HK$100,500,000 (31 December 2019: HK$254,516,000) had been secured by credit guarantee with a guarantee amount of HK$100,722,000 (31 December 2019: HK$254,516,000) provided by subsidiaries of the Group.

At 30 June 2020, bank loans amounting to HK$121,421,000 (31 December 2019: HK$87,363,000) had been secured by inventories with an aggregate carrying value of HK$122,700,000 (31 December 2019: HK$88,012,000).

At 30 June 2020, bills payable amounting to HK$45,684,000 (31 December 2019: HK$37,072,000) had been secured by trade receivables with an aggregate carrying value of HK$50,266,000 (31 December 2019: HK$37,362,000).

At 30 June 2020, bills payable amounting to HK$888,611,000 (31 December 2019: HK$644,165,000) had been secured by restricted bank deposits with an aggregate carrying value of HK$738,667,000 (31 December 2019: HK$520,010,000) and bills receivable with an aggregate carrying value of HK$151,785,000 (31 December 2019: HK$107,288,000).

At 30 June 2020, bank loans amounting to HK$177,453,000 (31 December 2019: HK$277,336,000) together with bills payable amounting to HK$213,996,000 (31 December 2019: HK$151,918,000) had been secured by restricted bank deposits with an aggregate carrying value of HK$102,573,000 (31 December 2019:HK$48,001,000), property, plant and equipment with an aggregate carrying value of HK$19,883,000 (31 December 2019: HK$90,150,000), and land use rights with an aggregate carrying value of HK$50,291,000(31 December 2019: HK$55,538,000).

15. Cash Flow

In the first half of 2020, the Group had an operating cash inflow of HK$2,305 million compared to HK$997 million cash inflow during the same period last year. The net cash inflow from operating activities was mainly contributed from cash profit of HK$309 million and net cash inflow of working capital changes of HK$1,877 million.

In the first half of 2020, the Group had a cash outflow from investing activities of HK$322 million compared to HK$773 million cash outflow during the same period last year. The cash outflow from investing activities in the first half of 2020 was generated mainly due to an increase in restricted bank deposits for bank credit pledges of approximately HK$279 million and logistics asset investment cash outflow of HK$70 million.

In the first half of 2020, the Group had a cash outflow from financing activities of HK$1,642 million compared to HK$171 million cash outflow during the same period last year. The cash outflow from financing activities was mainly attributable to a reduction of discounted bills receivable and pledges of the bills receivable of approximately HK$1,457 million.

In the trading of commodities business, acceptance bills and letters of credit are common payment methods. After receiving an acceptance bill and the letter of credit, the Group will carry out the recourse discount or pledge loan, and deposit the full margin into the bank to issue bills payable. This method has very low risk since these two types of business liabilities use cashable bills and cash pledges, which are regarded as low risk borrowing business. According to applicable accounting standards, although such bills receivable are 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 from procurements, the Group 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 Group's business activities more clearly, the impact of the above changes is analysed as follows:

	Six months ended 30 June 2020*	**Adjustments**	**Adjusted six months ended 30 June 2020****
	HK$'000		*HK$'000*
Cash and cash equivalents at 1 January	702,915		702,915
Net cash generated from/(used in) operating activities	2,304,905	(1,640,746)	664,159
Net cash generated from/(used in) investing activities	(322,232)	184,145[1]	(138,087)
Net cash generated from/(used in) financing activities	(1,642,451)	1,456,601[2]	(185,850)
Effect of foreign exchange rate changes	(27,210)		(27,210)
Cash and cash equivalents at 30 June	1,015,927		1,015,927

Note:

1. Full margin deposit for letter of credit

2. Discounted bills and bill pledged loans

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

** Illustrative purpose only.

III. WORKING CAPITAL AND FINANCIAL POLICY

The Group managed its funds by pre-planning and real-time monitoring measures. The Group raised funds through business activities, discount of notes receivable, factoring of accounts receivable, banking facilities from domestic and overseas banks, and bond financing, so as to ensure the expenditure for business operation, loan repayment and capital expenditure. In the first half of 2020, the Group's main financing methods were notes receivable, discounted letters of credit and banking 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 advance payment 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. Payment by financing leasing was given priority in capital expenditure.

The main currencies of the Group's business and operation were U.S. dollars and RMB. For business where purchases are made in U.S. dollars and sales made in RMB, the Group paid a close attention to the RMB exchange rate. In the trend of RMB devaluation, the Company used foreign exchange derivatives to avoid exchange rate fluctuation risks and safeguard 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 the Group 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 the Group, 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 including 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 on the Steel Industry

The revenue of the Group was mainly generated from commodities trading services of coking coal products, which is heavily dependent on the demand for coking coal from steel mills and coke plants in China and international market. 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 both short and longer term. 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 from the development of its trading businesses.

4. Currency Risk

Over 24.68% of the Group's turnover in the first half of 2020 were denominated in Renminbi. Over 93.43% of the Group's procurement costs, and some of our operating expenses, were denominated in US dollars. The exchange rates between Renminbi and US dollars and other currencies vary from time to time due to the influence from the political and economic changes in China and the world, as well as the Chinese governance fiscal and currency policy. 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. The Group has mostly locked the currency risk of related commodities trading businesses by adopting corresponding exchange rate management policies and derivatives hedging approaches, however, any unfavourable movement in the exchange rate may still 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.

6. Impact of COVID-19 Pandemic

Since early 2020, the COVID-19 pandemic has brought uncertainties in the Group's operating environment and effected the Group's operations and financial position. The Group has been closely monitoring the impact of the COVID-19 pandemic on the Group's businesses and has put in place centain contingency measures. The contingency measures mainly comprise reassessment on the quality of trade receivables and enhancing the collection, reassessing the Group's working capital based on the banking facilities and others. The Group will review the contingency measures on a continuous basis as the situation evolves.

As far as the Group's businesses are concerned, on one hand, the COVID-19 pandemic has caused the decrease of Mongolian coal import volume, and accordingly, has impact on the relevant integrated supply chain services due to the interruption or shutdown of border-crossings businesses between Mongolia and China in the first half of 2020. Currently, the gradual easing of the COVID-19 pandemic situation in the mainland China and stabilization of the global business environment have led to the recovery. On the other hand, due to the COVID-19 pandemic, the gross profit of coking coal enlarged for the differences of China domestic demands and overseas supply, which contributed more gross profit to the Company, to some extent, mitigated the negative impact of the pandemic brought to the Company. As the development and spread of the COVID-19 subsequent to the date of this announcement is uncertain, further changes in economic conditions for the Group arising thereof may have further impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will continuously pay attention on the development of COVID-19 pandemic and react actively to its impact on the financial position and operating results of the Group.

V. 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 different job positions. As at 30 June 2020, the Company has subsidiaries or branch offices in China (including Hong Kong and Macau), Singapore, Mongolia and other countries and regions. The Group has entered into formal employment contracts with all employees and pays all mandatory social insurances in full in the relevant countries and regions in strict compliance with the applicable laws and regulations.

As at 30 June 2020, the Group had 281 full-time employees (excluding 1,020 labor dispatch workers in the PRC subsidiaries). Detailed figures by category of employees are as follows:

Functions	No. of Employees	Percentage
Management and finance	92	33%
Front-line production, production support and maintenance	46	16%
Sales and marketing	98	35%
Others (including projects, coal washing and transportations)	45	16%
Total	281	100%

Employee Education Overview

Qualifications	No. of Employees	Percentage
Master and above	47	17%
Bachelor	155	55%
Diploma	46	16%
Middle-school (secondary school) and below	33	12%
Total	281	100%

Training Overview

Training is essential for the Group to improving the employees' working capabilities and management skills. For the six months ended 30 June 2020, the Group held various internal and external training programs in an aggregate of 513 training hours for 1,234 participants in total.

Training Courses	No. of hours	No. of participants
Safety	263	788
Management and leadership	104	266
Professional skill	146	180
Total	513	1,234

VI. HEALTH, SAFETY AND ENVIRONMENT

The Group 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 2020.

In accordance with the Conclusions to its Consultation on the Review of the ESG Reporting Guide and Related Listing Rules published by the Stock Exchange 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 completed its consultation and training accordingly, to the Directors and ESG relevant staff, on ESG policy changes, compliance requirements, suggested work procedures, and others.

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

As at 30 June 2020, the Company had a total of 3,041,198,356 shares in issue. The Company repurchased a total of 1,104,000 shares of the Company on the Stock Exchange during six months ended 30 June 2020 pursuant to the repurchase mandate approved by the shareholders of the Company at the annual general meeting held on 28 June 2019. Such repurchased shares will be cancelled and the total number of shares in issue will be reduced accordingly.

VIII. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

IX. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2020, 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. The balance of power and authority is ensured by the operation of senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently consists of 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors, and therefore has a strong element of independence in its composition.

Except for the deviation mentioned above from the CG Code, the Company fully complied with all the Code Provisions throughout the six months ended 30 June 2020.

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

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("**Model Code**") as its own code of conduct for dealing in securities of the Company by the directors 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 six months ended 30 June 2020.

XI. REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2020. 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.

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

This interim results announcement is published on the websites of the Company (www.e-comm.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2020 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, 27 August 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.