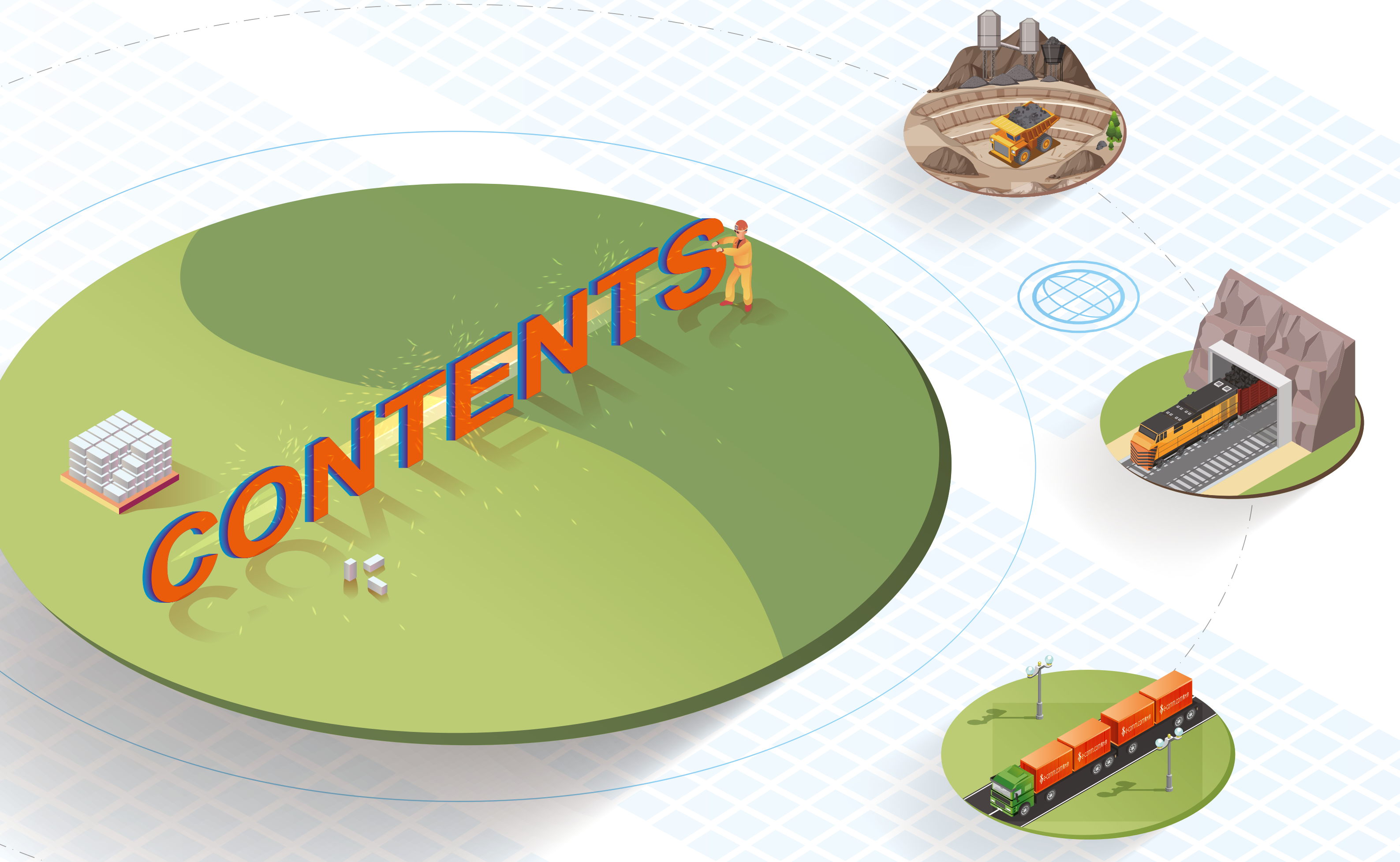
E-COMMODITIES HOLDINGS LIMITED
易大宗控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 1733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Chairman's Statement

Dear shareholders and colleagues,

In 2020, the downturn of the global economy, together with the spread of the novel coronavirus ("**COVID-19**") epidemic all around the world, the change and uncertainties in the relationship between countries and in the economic landscape, all placed heavy pressure on the global progress of the Company's supply chain of coking coal and other commodities, while at the same time creating more business opportunities.

According to the General Administration of Customs of China, the total imported coking coal in China amounted to approximately 72.57 million tonnes in 2020, a slight decrease compared to 74.67 million tonnes in 2019. Under a prudent business strategy formulated by the Board and the management of the Company, and the support and effort from all walks of life and our staff, together by leveraging the seasoned expertise in the commodities market and execution capabilities of our trading team, the Company achieved sales of 17.89 million tonnes of seaborne coking coal, an increase of approximately 2.04 million tonnes compared to the same period last year. Downstream buyers comprise customers in South Korea, India, Poland, Turkey, Indonesia, the United Kingdom, Italy, Brazil, Vietnam, and other countries in addition to those in China, and upstream suppliers comprise those located in Australia, Canada, America, Russia and other countries. In addition to the seaborne coking coal, the Mongolian coal business of the Company has been operating through Xianghui Energy since the establishment of the joint venture and developed in a stable and orderly way, despite the impact of the pandemic. The hard-won achievements of the Company in such an economic environment competed with the effects of the epidemic.

Apart from commodities supply chain trading business, the Company's integrated supply chain services sector also made significant breakthroughs, expanding from domestic commodities integrated supply chain services in 2019 to road transport and storage in Mongolia and cross-border ports, as well as domestic multimodal transport, storage, processing and other integrated supply chain services. In 2020, the integrated supply chain services sector of the Company recorded revenue of HK$973 million, an increase of over 428.80% compared to HK$184 million in the same period last year. Such increase derived mainly from the Company's long-term plan of the integrated supply chain services sector and the further integration of our supply chain logistics, clean raw material processing and internet intelligent platform. By the end of 2020, the Company made further strides towards resolving the bottle neck in cross-border logistics transportation between China and Mongolia and further enhanced the customs clearance efficiency. The Company placed over 800 tractor trailers and over 10,000 containers along the long supply chain link from the Mongolian mining pits to the delivery warehouses within China designated by the end-customers and along major logistics routes. The Company digitalized port logistics parks, railway stations, washing and processing centers, enhanced and deepened the cooperation with third parties in integrated online platform "Yee-Link", further drove the digital transformation of the commodities logistics industry, and not only optimized the logistics process, strengthened the management of goods in transit, enhanced operational efficiency, but also lowered logistics costs. Mongolian coking coal has the advantages of huge natural resource reserves, excellent resource products and low mining costs. It is an important strategic resource for China and with the improvement of bilateral transportation and storage conditions between China and Mongolia, the proportion of Mongolian coking coal in China's total imports maintained growth momentum. Although customs clearance at ports was greatly affected by COVID-19 in 2020, China and Mongolia are actively establishing special measures such as "Green Channel" to maintain the active development of Mongolian coking coal entering to the Chinese market. Accordingly, the progression of the "One Belt, One Road" initiative could represent more room for growth for the Company in the Mongolian resources business and the corresponding logistics services business.

Chairman's Statement

The Company also actively responded to the call for improvement in global environmental and social governance in 2020, bearing in mind the interests of all the stakeholders of the Group. The Board and the management of the Company made continuous efforts in environmental and social governance, not only improving the environmental and social governance structure by system, but also addressing environmental issues caused by coal transportation, loading and unloading, and warehousing processes at Sino-Mongolian ports through "non-containerised to container", "closed coal sheds", "multimodal transport", "digitalized reconstruction" and other practical improvements, promoting the move towards a highly efficient, environmentally-friendly, digitalized and intelligent logistics industry. Meanwhile, the Company proactively led and participated in a series of epidemic prevention and protection works by donating surgical masks and virus detection devices to China and Mongolia, actively shouldered its social responsibility, simplified and optimized the upstream and downstream supply chain, so as to give back to society and the stakeholders of the Company.

In 2021, the Company will remain alert to risks and, combined with the Company's own strengths, build a new future for development based on its historical experience, and create more value and higher returns for all stakeholders of the Company with our long-term business plan and prudent operation, and start a new journey for the Company.

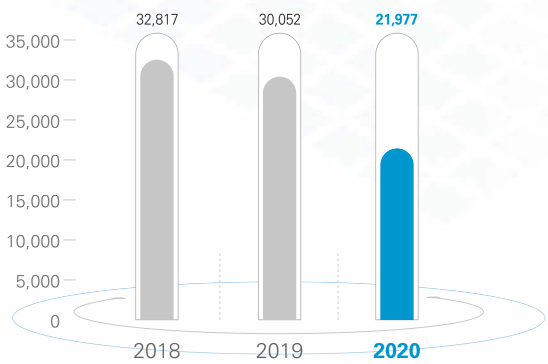
Cao Xinyi
Chairman
E-Commodities Holdings Limited

Management Discussion and Analysis of Financial Conditions and Operating Results

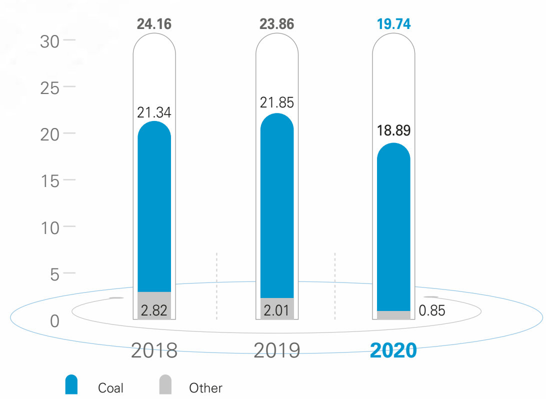
The following discussion and analysis should be read in conjunction with the Group's financial information and the notes thereto. The Group's financial statements have been prepared in accordance with IFRSs.

I. OVERVIEW

Revenue*

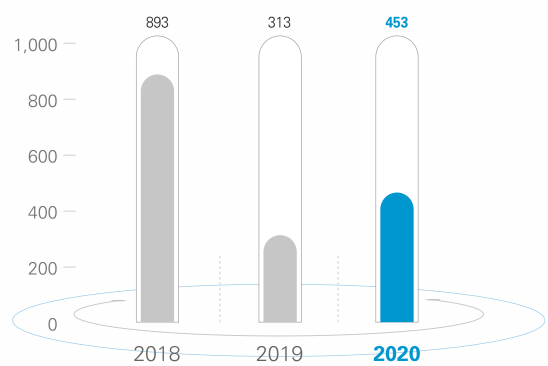


Supply Chain Trading Volumes*

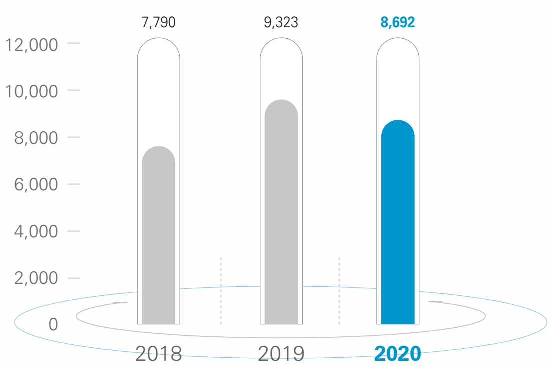


* The revenue and trading volume of Mongolia coal trading business was transferred to and has been recorded in Xianghui Energy since October 2019.

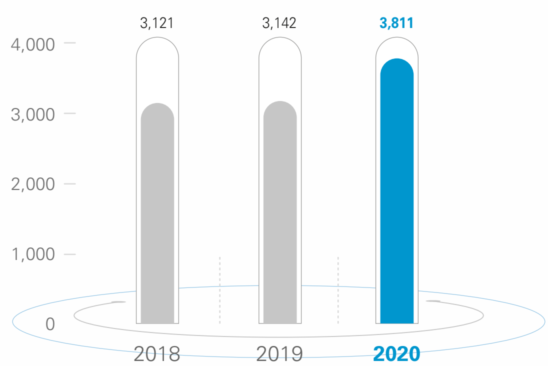
Net Profit



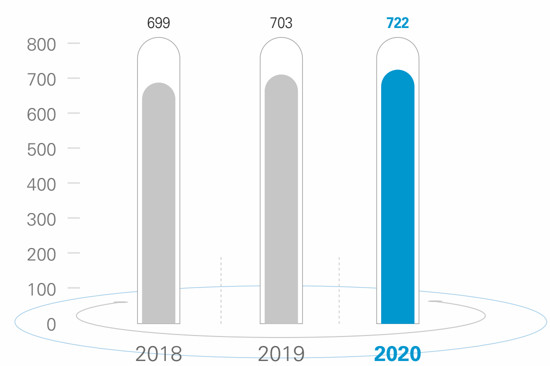
Total Assets



Total Equity



Cash Balance



Management Discussion and Analysis of Financial Conditions and Operating Results

II. FINANCIAL REVIEW

1. Revenue Overview

In 2020, the Group recorded consolidated revenue of HK$21,977 million, representing a decrease of 26.87% compared to HK$30,052 million in 2019. The decrease was primarily due to (1) the transfer of the Mongolian coal trading business to Xianghui Energy, and therefore, the revenue of the Mongolian coal trading was accounted in Xianghui Energy and the profit was accounted as a share of profit of an associate in the Group; and (2) the drop of the annual average selling price of coking coal.

In 2020, due to the transfer of the Mongolian coal trading business to Xianghui Energy, our trading volume of commodities was 19.74 million tonnes, of which the seaborne coking coal trading volume increased from 15.85 million tonnes in 2019 to 17.89 million tonnes in 2020.

In 2020, sales revenue generated from integrated supply chain services was HK$973 million, an increase of more than 428.8% from approximately HK$184 million in 2019. The Company integrated its supply chain logistics, clean raw material processing and internet intelligent platform businesses, and also made further strides towards resolving the bottle neck faced in Mongolia coal logistics by investment in a series of logistics assets, the Company successfully expanded its integrated supply chain services from providing warehousing, transportation and washing and processing services domestically, especially focusing in Inner Mongolia, further to Mongolia mining pits to the Sino-Mongolia border-crossings transportation and warehousing services.

	2020 **HK$'000**	2019 HK$'000
Disaggregated by major products or service lines		
– Coal	**18,248,481**	26,291,787
– Oil and petrochemical products	**2,051,638**	2,061,981
– Rendering of integrated supply chain services	**973,443**	184,301
– Iron ore	**329,587**	1,024,083
– Nonferrous metals	**326,685**	423,871
– Coke	**5,769**	27,839
– Others	**41,705**	37,926
	21,977,308	30,051,788

Management Discussion and Analysis of Financial Conditions and Operating Results

In 2020, the Group expedited the internationalisation of its supply chain by further expanding its geographic coverage of end customers to the territories including, among others, South Korea, India, Poland and Turkey. Approximately HK$2,876 million of sales were generated from outside of the PRC (including Hong Kong, Macau and Taiwan), representing approximately 13.08% of our total sales revenue of 2020.

	2020	2019
	HK$'000	HK$'000
The PRC (including Hong Kong, Macau and Taiwan)	**19,101,790**	27,130,916
South Korea	**1,393,500**	1,025,446
India	**552,386**	675,471
Poland	**267,846**	154,290
Turkey	**191,064**	792,657
Indonesia	**155,237**	77,022
United Kingdom	**80,115**	–
Italy	**64,878**	–
Brazil	**60,376**	85,719
Vietnam	**68,479**	–
Mongolia	**41,637**	57,552
Japan	**–**	31,128
Others	**–**	21,587
	21,977,308	30,051,788

Supply Chain Trading

In 2020, our supply chain trading business segment contributed the majority of our total revenue, which was HK$20,962 million, representing approximately 95.38% of the total sales revenue. This segment generates income by providing supply chain trading services to our end customers, covering diversified commodities including, among others, coal products, oil and petrochemical products, iron ore, nonferrous metals and coke.

In 2020, the sales revenue from our top five customers accounted for 33.03% of our total sales, compared to 34.07% in 2019. These customers are mainly large-scale, state-owned steel groups throughout China, all being leading companies in the industry.

Management Discussion and Analysis of Financial Conditions and Operating Results

Integrated Supply Chain Services

In 2020, the integrated supply chain services mainly comprised transportation, warehousing, coal processing and other logistic services in Mongolia and domestic China, and largely focused on transportation and warehousing services in Inner Mongolia and those from Mongolia mining pits to Sino-Mongolia border-crossings.

In 2019, the Group integrated the supply chain logistics service sectors, and established E-35, pursuant to which, till now, the Company is still in the process of rolling out the utilization of E-35's complete logistics nodes in the northern borders and southern ports to provide integrated services including, among others, multimodal transport, storage, processing and other services for coal, iron ore and other bulk commodities. In 2020, based on the market potential of Mongolian coal in China, the Company deployed more than 800 tractor trailers and over 10,000 containers at Sino-Mongolia cross-border ports and key lines of the Mongolian coal business supply chain and digitalized the port logistics parks and railway platforms, closed coal shed management, optimized washing technology and a series of other digital transformation measures by way of purchase or financial leasing with its internal resources. On the one hand, it further promoted the development of Sino-Mongolia cross-border logistics and actively responded to the national environmental protection policy. On the other hand, by integrating data across the entire supply chain into the "Yee-Link" online platform, it has further improved the inventory and in-transit management of bulk commodities, reduced costs and increased efficiency, enhanced risk control in cargo right, which formed a new competitive advantage of the Company.

In 2020, HK$973 million revenue was generated from the integrated supply chain services business segment. Mongolian coking coal has the advantages of huge natural resource reserves, excellent resource products and low mining costs. It is an important strategic resource for China and with the improvement of bilateral transportation and storage conditions between China and Mongolia, the proportion of Mongolian coking coal in China's total imports maintained growth momentum. Although customs clearance at ports was greatly affected by COVID-19 in 2020, China and Mongolia are actively establishing special measures such as "Green Channel" to maintain the active development of Mongolian coking coal entering to the Chinese market. Accordingly, the progression of the "One Belt, One Road" initiative could represent more room for growth for the Company in the Mongolian resources business and the corresponding logistics services business.

Management Discussion and Analysis of Financial Conditions and Operating Results

2. Cost of Sales

Cost of sales primarily consists of the purchase price, transportation costs, and processing costs. Cost of sales in 2020 was HK$20,523 million, a 28.83% decrease compared to HK$28,835 million in 2019, which was mainly due to decreased annual average purchase price and the transfer of Mongolia coal business into Xianghui Energy. The procurement costs include the purchase price of commodities and transportation costs from overseas to the border-crossing or ports in the relevant countries where the customers are located.

	2020		2019	
Procurement	**Procurement volume ’000 tonnes**	**Procurement amounts HK$’000**	Procurement volume ’000 tonnes	Procurement amounts HK$’000
Coal	**17,867**	**16,525,142**	21,956	24,747,189
Oil and petrochemical products	**434**	**1,991,983**	409	2,086,701
Nonferrous metals	**16**	**323,238**	20	420,524
Iron ore	**393**	**334,567**	1,599	984,999
Coke	**3**	**5,739**	15	29,824
	18,713	**19,180,669**	23,999	28,269,237

In 2020, the total procurement amount was HK$19,181 million, of which, the top five suppliers accounted for 58.13%. No director of the Company or their close associates (as defined under the Listing Rules, or shareholders of the Company owning more than 5% of the issued shares in the Company, has any interest in suppliers.

Management Discussion and Analysis of Financial Conditions and Operating Results

3. Gross Profit

The Group recorded a gross profit of HK$1,454 million in 2020, representing an increase of 19.47% compared to a gross profit of HK$1,217 million recorded in 2019. The increase in gross profit was mainly due to the increased gross profit from coking coal from HK$1,017 million in 2019 to HK$1,166 million in 2020. The increase was mainly attributable to the increase in the average profit margin per tonne of coking coal.

4. Distribution Costs

Distribution costs were HK$68 million in 2020, which was a 73.12% decrease compared to HK$253 million in 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 were HK$555 million in 2020, an increase of 28.77% over HK$431 million of administrative expenses incurred in 2019. This was mainly due to the increase in the accrued bonus in 2020 for the business sector teams including coking coal and other teams, which was approximately HK$170 million. The following factors were considered in determining the bonus, business pretax 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. The schemes are expected to incentivize business teams to fight for higher market percentage and better profit for the Company and its shareholders, so as to build sustainable competitive advantages for the Company in its industry.

	2020 **HK$'000**	2019 HK$'000
Staff costs	**334,048**	244,600
Reversal of provision for impairment losses on trade and other receivables	**49,093**	(2,887)
Others	**171,498**	189,567
	554,639	431,280

Management Discussion and Analysis of Financial Conditions and Operating Results

6. Other Operating Expenses, Net

	2020	2019
	HK$'000	HK$'000
Loss on disposal of property, plant and equipment, net	**26,934**	10,056
Net realised and unrealised loss on derivative financial instruments	**107,653**	50,029
Others	**8,049**	5,752
	142,636	65,837

In 2020, other operating expenses were approximately HK$143 million, representing a 116.67% increase compared to HK$66 million in 2019. The price fluctuations in bulk commodities have been unstable and relatively significant in recent years. In order to reduce the erosion of the Company's profits due to price fluctuations in the bulk commodities, the Company will carry out partial futures hedging activities on the futures market, as and when appropriate, based on the overall consideration on factors including, among others, the bulk commodities market trends and the spot position of our Company of different commodity categories. In 2020, the Company strictly followed the above operating principle in carrying out hedging activities. In 2020, the Company recorded a realised loss on derivative financial instruments of operating expenses, which was mainly due to the unexpected pandemic situation change in Mongolia resulting the uncertainties for the border-crossings of Mongolian coal, which led a loss on the future market.

7. Net Finance Costs

In 2020, the Group recorded net finance costs of HK$177 million in total, compared to net finance costs of HK$197 million in 2019. The decrease in finance costs is mainly due to the decrease in interest expense on discounted bills receivables for the transfer of the Mongolia coal trading business to Xianghui Energy and the decreased interest rate applied to offshore bank facilities of the Group.

Management Discussion and Analysis of Financial Conditions and Operating Results

Net finance costs

	2020 **HK$'000**	2019 HK$'000
Interest income on financial assets measured at amortised cost	**(26,991)**	(24,314)
Changes in fair value on conversion option embedded in Convertible Bonds and Warrants	**(23,391)**	(22,370)
Financial income	**(50,382)**	(46,684)
Interest on secured bank loans	**29,947**	74,523
Interest on other interest-bearing borrowings	**28,959**	1,054
Interest on discounted bills receivable	**34,519**	66,487
Interest on lease liabilities	**12,627**	7,362
Interest on Convertible Bonds	**68,682**	44,626
Total interest expense	**174,734**	194,052
Bank and other charges	**26,216**	32,104
Foreign exchange loss, net	**26,901**	17,468
Financial costs	**227,851**	243,624
Net finance costs	**177,469**	196,940

8. Net profit and earnings per share

Our net profit was HK$453 million in 2020, compared to net profit of HK$313 million in 2019.

Basic earnings per share were HK$0.152 in 2020, compared to basic earnings per share of HK$0.103 in 2019. Diluted earnings per share were HK$0.152 in 2020, compared to diluted earnings per share of HK$0.097 in 2019.

Management Discussion and Analysis of Financial Conditions and Operating Results

9. Interest in an Associate

Xianghui Energy commenced operation in October 2019 and is mainly engaged in trading Mongolian coal in the PRC. Xianghui Energy recorded revenue of HK$4,903 million and net profit of HK$156 million during 2020.

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

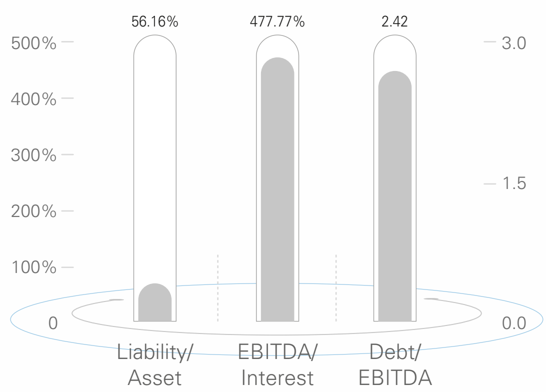
	2020 **HK$'000**	2019 HK$'000
Gross amounts of the associate		
Current assets	**3,553,921**	2,915,882
Non-current assets	**5,956**	2,584
Current liabilities	**(1,016,267)**	(662,629)
Non-current liabilities	**(3)**	(1,239)
Equity	**(2,543,607)**	(2,254,598)
Revenue	**4,903,098**	1,089,866
Profit for the year	**156,136**	22,410
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**2,543,607**	2,254,598
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**1,246,367**	1,104,753

Management Discussion and Analysis of Financial Conditions and Operating Results

10. Indebtedness and Liquidity

The total amount of bank loans owed by the Group at the end of 2020 was HK$1,002 million. Interest rates on these loans range from 0.77% to 11.35% per annum, whereas the range in 2019 was from 2.00% to 10.45%. The Group's gearing ratio at the end of 2020 was 56.16%, which was a decrease compared to 66.30% at the end of 2019. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.

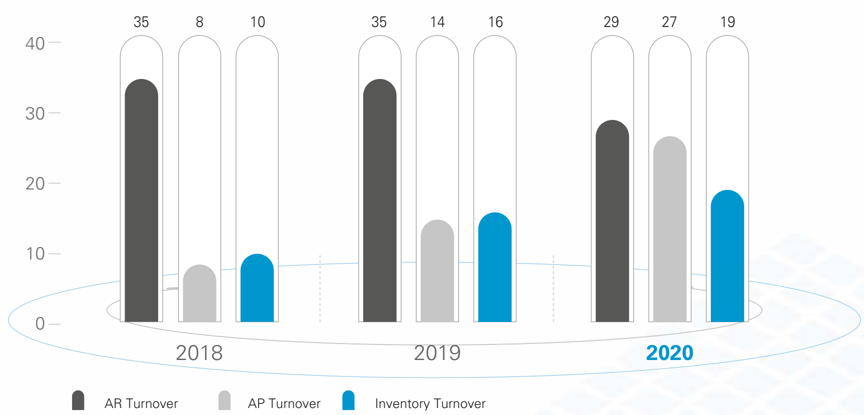
Indebtedness and Liquidity



11. Working Capital

Our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 29 days, 27 days, and 19 days, respectively, in 2020. As a result, the overall cash conversion cycle was approximately 21 days in 2020, which was 16 days shorter than the Group's cash conversion cycle in 2019.

Working Capital



Management Discussion and Analysis of Financial Conditions and Operating Results

12. Contingent Liabilities

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

13. Pledge of Assets

At 31 December 2020, bank loans amounting to HK$150,489,000 (31 December 2019: HK$254,516,000) have been secured by credit guarantee with an aggregate amount of HK$150,489,000 (31 December 2019: HK$254,516,000) provided by subsidiaries of the Group.

At 31 December 2020, bank loans amounting to HK$130,702,000 (31 December 2019: HK$277,336,000) together with bills payable amounting to HK$61,490,000 (31 December 2019: HK$151,918,000) have been secured by restricted bank deposits with an aggregate carrying value of HK$30,745,000 (31 December 2019: HK$48,001,000), property, plant and equipment with an aggregate carrying value of HK$10,169,000 (31 December 2019: HK$90,150,000), land use rights with an aggregate carrying value of HK$137,167,000 (31 December 2019: HK$55,538,000).

At 31 December 2020, bank loans amounting to HK$56,656,000 (31 December 2019: HK$87,363,000) have been secured by inventories with an aggregate carrying value of HK$53,115,000 (31 December 2019: HK$88,012,000).

Management Discussion and Analysis of Financial Conditions and Operating Results

At 31 December 2020, bank loans amounting to HK$664,419,000 (31 December 2019: HK$2,268,316,000) have been secured by bills receivable with an aggregate carrying value of HK$539,742,000 (31 December 2019: HK$2,047,651,000) and bank deposits with an aggregate carrying value of HK$115,038,000 (31 December 2019: HK$228,235,000).

At 31 December 2020, bills payable amounting to HK$975,511,000 (31 December 2019: HK$681,237,000) have been secured by restricted bank deposits with an aggregate carrying value of $ HK$688,345,000 (31 December 2019: HK$520,010,000), bills receivable with an aggregate carrying value of HK$319,906,000 (31 December 2019: HK$107,288,000) and trade receivables with an aggregate carrying value of HK$nil (31 December 2019: HK$37,362,000).

At 31 December 2020, lease liabilities amounting to HK$36,458,000 (31 December 2019: HK$nil) have been secured by property, plant and equipment with an aggregate carrying value of HK$53,501,000 (31 December 2019: HK$nil), land use rights with an aggregate carrying value of HK$25,334,000 (31 December 2019: HK$nil).

14. Cash Flow

In 2020, our operating cash inflow was HK$2,965 million compared to HK$1,387 million cash inflow during 2019. The net cash inflow from operating activities was mainly contributed from cash profit of HK$552 million and net cash inflow of working capital changes of HK$2,105 million. The changes in working capital were mainly due to the gradual decrease in the capital utilisation by the Mongolian coal business since October 2019, following the transfer of more business to Xianghui Energy.

In 2020, the Group paid a cash outflow from investing activities of HK$559 million compared to HK$1,927 million cash outflow during 2019. The net cash outflow was mainly due to investment in purchases of logistics assets of approximately HK$467 million, and settlement of derivative financial instruments of approximately HK$108 million.

Management Discussion and Analysis of Financial Conditions and Operating Results

In 2020, the Group had a cash outflow from financing activities of HK$2,438 million compared to HK$562 million cash inflow during 2019. 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$1,508 million.

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

	2020[1] HK$'000	Adjustments HK$'000	Adjusted 2020[2] HK$'000
Cash and cash equivalents at 1 January	702,915		702,915
Net cash generated from operating activities	2,965,382	(1,665,860)	1,299,552
Net cash (used in)/generated from investing activities	(559,089)	157,950*	(401,139)
Net cash (used in)/generated from financing activities	(2,437,556)	1,507,910**	(929,646)
Effect of foreign exchange rate changes	50,167		50,167
Cash and cash equivalents at 31 December	721,819		721,819

Note:

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

(2) Illustrative purpose only.

* Full margin deposit for bills payable

** Discounted bills and bill pledged loans

Management Discussion and Analysis of Financial Conditions and Operating Results

III. WORKING CAPITAL AND FINANCIAL POLICY

The Group managed its funds by pre-planning and real-time monitoring measures. The Group raised funds through business activities, discount of bills receivable, factoring of accounts receivable, banking facilities from domestic and overseas banks, and bond financing, so as to ensure funding for business operations, loan repayments and capital expenditure. In 2020, the Group was mainly financed by, including but not limited to, bank working capital loans, factoring of accounts receivable, cash inflow discounted from bank bills and other notes receivables, and other domestic and international bank facilities.

The Group has always adopted prudent and stable fund management methods. Internally, by managing the quota for the deployment of funds for each business department, we monitored the level of inventory, prepayment and receivables, and advance payment from customers, so as to improve the turnover rate of funds and reduce the daily working capital occupation of the business. Payment by finance leasing was given priority in capital expenditure in purchase of logistics relevant assets once applicable.

The main currencies of the Company's business and operation US dollar and Renminbi. For the business for which purchases were made in USD and sales were made in RMB, the Company paid close attention to the exchange rate of USD to RMB. In the fluctuation of foreign exchange rate of USD to RMB, the Company used foreign exchange derivatives to avoid exchange rate fluctuation risks and lock in business profits.

IV. RISK FACTORS

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

1. Volatility of Commodities Prices

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

Management Discussion and Analysis of Financial Conditions and Operating Results

2. Dependence upon the Steel Industry

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

3. Liquidity risk

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

4. Currency risk

Over 27.01% of the Group's revenue in 2020 was denominated in RMB. Over 89.31% of the Group's purchase costs, and some of our operating expenses, are denominated in USD. Fluctuations in exchange rates may adversely affect the value of the Group's net assets, earnings or any declared dividends as RMB is translated or converted into USD or Hong Kong dollars. Any unfavourable movement in the exchange rate may lead to an increase in the costs of the Group or a decline in sales, which could materially affect the Group's results of operations.

5. Fair value measurement

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

Management Discussion and Analysis of Financial Conditions and Operating Results

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 certain contingency measures. The contingency measures mainly comprise reassessment of the quality of trade receivables and enhancing collection, and reassessing the Group's working capital based on the banking facilities. 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 a decrease in the volume of Mongolian coal imports, and accordingly, has impacted on the relevant integrated supply chain services due to the interruption or shutdown of border-crossings between Mongolia and China in 2020. Currently, the gradual easing of the COVID-19 pandemic situation in Mainland China and stabilization of the global business environment have led to a business recovery. On the other hand, due to the COVID-19 pandemic, the gross profit of coking coal increased due to the differences in China domestic demands and overseas supply, which in turn 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 pandemic subsequent to the date of this announcement is uncertain, further changes in economic conditions for the Group arising therefrom may have further impacts 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 to the development of COVID-19 pandemic and be reactive to its impact on the financial position and operating results of the Group.

Management Discussion and Analysis of Financial Conditions and Operating Results

V. HUMAN RESOURCES

1. Employee Overview

The Group aims to set up a performance-oriented compensation and benefit system while balancing the internal and external market competitiveness of different positions. As at 31 December 2020, the Company has subsidiaries and 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 31 December 2020, there were 1,119 full-time employees in the Group (excluding 700 dispatch staff from domestic subsidiaries). In order to achieve the goals of high efficiency and environmental protection, the Group has conducted independent operation of the cross-border container transportation business at the Sino-Mongolia border ports since October 2020. The Group has successively recruited 797 Mongolian cargo truck drivers for this business. The breakdown of employee categories is as follows:

	2020		2019	
Functions	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Management, Administration & Finance	**82**	**7%**	82	28%
Front-line Production & Production Support & Maintenance	**49**	**4%**	60	21%
Sales & Marketing	**75**	**7%**	105	36%
Others (incl. Projects, Coal Washing Plant, Transportation)	**116**	**11%**	44	15%
Cargo Truck Drivers (Mongolia)	**797**	**71%**	–	–
Total	**1,119**	**100%**	291	100%

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in social insurance pension scheme organised by the local government authorities whereby the specified proportion of contribution is subject to local policies.

Management Discussion and Analysis of Financial Conditions and Operating Results

2. Employee Education Overview

	2020		2019	
Qualifications	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Master & above	**54**	**5%**	46	16%
Bachelor	**168**	**15%**	167	57%
Diploma	**53**	**5%**	44	15%
High-School, Technical School & below	**844**	**75%**	34	12%
Total	**1,119**	**100%**	291	100%

3. Training Overview

The Group considers training to be an invaluable process to provide employees with information, new skills, and professional development opportunities. During the year ended 31 December 2020, the Company held various training programs totaling 470.5 hours, and over 1,792 attendances were recorded for these programs.

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

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

Training Overview

	2020		2019	
Training Courses	**No. of hours**	**No. of participants**	No. of hours	No. of participants
Safety	**312**	**1,504**	85	3,143
Management & Leadership	**63.5**	**216**	88.5	400
Operation Excellence	**95**	**72**	40	124
Total	**470.5**	**1,792**	213.5	3,667

Management Discussion and Analysis of Financial Conditions and Operating Results

VI. HEALTH, SAFETY AND ENVIRONMENT

The Company attaches great importance on 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 2020.

The Company also actively responded to the call for improvement in global environmental and social governance in 2020, bearing in mind the interests of all the stakeholders of the Group. The Board and the management of the Company made continuous efforts in environmental and social governance, not only improving the environmental and social governance structure by system, but also addressing environmental issues caused by coal transportation, loading and unloading, and warehousing processes at Sino-Mongolian ports through "non-containerised to container", "closed coal sheds", "multimodal transport", "digitalized reconstruction" and other practical improvements, promoting the move towards a highly efficient, environmentally-friendly, digitalized and intelligent logistics industry.

In accordance with the Conclusions to its Consultation on the Review of the ESG Reporting Guide and Related Listing Rules published by HKEx on 18 December 2019, the Company has engaged an independent professional third party to work in consultation for its 2020 report on environmental, social and governance matters ("**ESG**"). Such third-party consultant has started its consultation and training accordingly, to the Directors and ESG relevant staff, on ESG policy changes, compliance requirements, suggested work procedures, and others. Further details will be disclosed in the 2020 ESG report of the Company.

Profile of Directors and Senior Management

I. EXECUTIVE DIRECTORS: MS. CAO XINYI, MR. WANG YAXU, MR. LI JIANLOU, MS. DI JINGMIN

Ms. Cao Xinyi (曹欣怡), aged 38, is an executive Director, the chairman of the Board and chief executive officer. Ms. Cao joined the Company in 2009. She has extensive experience in the corporate strategy, business management, capital operation and corporate governance, and she has been successively been responsible for the office of the Board, financial management, business operation and overall management of the Group since joining the Company, and possesses deep understanding and practice in commodity trade, logistics and finance. Before joining the Company in 2009, Ms. Cao worked at PricewaterhouseCoopers from 2005 to 2009. Ms. Cao serves as director and/or general manager of several subsidiaries of the Company. She graduated from City University of Hong Kong with a bachelor's degree in Business Administration in 2005. Ms. Cao is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Wang Yaxu (王雅旭), aged 49, is an executive Director, senior vice president and the chief financial officer of the Company. Mr. Wang Yaxu joined the Group in 1995, then became an employee of the Company in 2007 upon the Company's establishment. He was responsible for overall business of the Group's Mongolian coal businesses such as procurement, sales, logistics and washing and processing. He is currently responsible for business development of domestic coal, washing and processing of coal and relevant infrastructure development of the Group, and financial management of the Group. He also serves as director and/or general manager of several subsidiaries of the Company. Mr. Wang obtained a bachelor's degree in industrial management and engineering from Beijing University of Chemical Technology, and graduated with an EMBA degree from Beijing Jiaotong University in 2011.

Mr. Li Jianlou (李建樓), aged 58, is an executive director and vice president of the Company. Mr. Li joined the Group in 1992 and is in charge of coal transport management and relevant infrastructure development. He has abundant experience in logistics transportation and management. He also serves as the director in several subsidiaries of the Company. Mr. Li studied at Children School of China Institute of Atomic Energy (中國科學院原子能研究所子弟學校) from 1969 to 1980. He held position in Beijing Textile Bureau (北京市紡織局) from 1980 to 1992. In 2012, Mr. Li obtained an EMBA degree from Beijing Jiaotong University.

Ms. Di Jingmin (邸京敏), aged 49, is an executive Director and senior vice president of the Company. Ms. Di joined the Group Company in 1995 and is currently responsible of comprehensive management of the Company such as asset management, legal issues and human resources, and possesses rich experience in investment management and other enterprise comprehensive management. She also serves as director of certain subsidiaries of the Company. Ms. Di graduated from Beijing University of Chemical Technology with a bachelor's degree in management engineering in 1995 and subsequently obtained a Master of Laws degree from the Chinese Academy of Social Sciences in 2009.

Profile of Directors and Senior Management

II. NON-EXECUTIVE DIRECTOR: MR. GUO LISHENG

Mr. Guo Lisheng (郭力生), aged 56, was re-appointed as a non-executive Director with effect from 18 July 2019. He is also a director and the chairman of Minmetals South-East Asia Corporation Pte. Ltd.. From 1993, he was the general manager of China Gulf Building Material Co., Ltd., a director and deputy general manager of Minmetals (U.K.) Ltd., a deputy general manager of Minmetals Steel Co., Ltd., the executive vice president of Minmetals Inc., a deputy general manager of the mineral resources department of China Minmetals Corporation and a deputy general manager of Minmetals Exploration & Development Co., Ltd. and the president of China Metais E Minerais (Brasil) Ltd.. Mr. Guo graduated from Xiamen University with a bachelor's degree in Economics specializing in international trade in 1984, and became a Senior International Business Engineer in 2002.

III. INDEPENDENT NON-EXECUTIVE DIRECTORS: MR. NG YUK KEUNG, MR. WANG WENFU, MR. GAO ZHIKAI

Mr. Ng Yuk Keung (吳育強), aged 56, was re-appointed as an independent non-executive Director with effect from 1 June 2018. Mr. Ng worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From 2001 to 2003, Mr. Ng was the Chief Financial Officer of the International School of Beijing-Shunyi, an academic institution in Beijing, China. He subsequently joined Australian Business Lawyers, a law firm in Australia in 2003 and was later appointed as a consultant in 2004 responsible for advising on accounting matters. From 2004 to 2006, he was the deputy chief financial officer, a joint company secretary and the qualified accountant of Irico Group Electronics Company Limited (stock code: 0438), a company listed on the Hong Kong Stock Exchange. From 2006 to 2010, Mr. Ng was a vice-president, the chief financial officer, the company secretary and the qualified accountant of China Huiyuan Juice Group Limited. From 2010 to 2012, Mr. Ng was an executive director and the chief financial officer of China NT Pharma Group Company Limited (Stock Code: 1011), a company listed on the Hong Kong Stock Exchange. From February 2007 to October 2011, Mr. Ng was the independent non-executive director of Xinjiang Xinxin Mining Industry Co., Ltd. (Stock Code: 3833), a company listed on the Hong Kong Stock Exchange. Mr. Ng is currently an executive director and the chief financial officer of Kingsoft Corporation Limited (Stock Code: 3888), and an independent non-executive director of Sany Heavy Equipment International Holdings Company Limited (Stock Code: 631), both are companies listed on the Hong Kong Stock Exchange. Mr. Ng graduated from The University of Hong Kong with a bachelor's degree in Social Sciences in 1988 and a master's degree in Global Business Management and E-commerce in 2002. He is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

Profile of Directors and Senior Management

Mr. Wang Wenfu (王文福), aged 54, was re-appointed as an independent non-executive Director with effect from 1 June 2018. Mr. Wang has extensive experience in the mining industry, with international business development, cross-border mergers and acquisitions, business network establishment and international trading expertise. Before Mr. Wang joined our Group as an independent non-executive Director in 2010, he worked for Aluminum Corporation of China Ltd. ("**CHALCO**") (Stock Code: 2600), a company listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange and the New York Stock Exchange since 2004, and was mainly responsible for the development of CHALCO's overseas business, cross border mergers and acquisitions, foreign investment and risk management. He also acted as the President of Chinalco Overseas Holding Ltd., Director and President of Chalco Hong Kong Ltd., Chairman of Chalco Australia Pty. Ltd. and Chief Representative of CHALCO's operations in Vietnam and Indonesia. Mr. Wang graduated from the Department of Linguistics of Kunming University of Science and Technology in 1987. He also obtained a Master of Business Administration degree from Monash University in 1995 and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia in 2002.

Mr. Gao Zhikai (高志凱), aged 59, was re-appointed as an independent non-executive Director with effect from 18 July 2019. Mr. Gao is currently the chairman of China Energy Security Institute, a vice president of Center for China and Globalization and company cunsultant of Saudi Aramco. Mr. Gao is also a current affairs commentator with CCTV News and appears regularly on BBC, CNN, Channel News Asia, Al Jazeera, NHK, RT, and other major news media. Mr. Gao has extensive work experience in diplomacy, legal, securities regulation, investment bank, equity investment, corporate management and charity. Mr. Gao was an interpreter for Mr. Deng Xiaoping and other Chinese leaders in the 1980s and worked in the Ministry of Foreign Affairs of the People's Republic of China. He also worked in the Secretariat of the United Nations and the Hong Kong Securities and Futures Commission. Mr. Gao has held senior positions in Morgan Stanley, China International Capital Corporation and Daiwa Securities. He has also held senior corporate positions in PCCW, Henderson Group and CNOOC Limited. Mr. Gao obtained a Juris Doctor degree from Yale Law School and a master's degree in Political Science from Yale Graduate School, a master's degree in English Literature from Beijing University of Foreign Studies, and a bachelor's degree in English Literature from Suzhou University. Mr. Gao is a licensed attorney-at-law in the State of New York, USA.

IV. SENIOR MANAGEMENT:

Ms. Zhu Hongchan (朱紅嬋), aged 46, is a senior vice president of our Company. She joined Winsway Group in 1995 and is currently responsible for the management of seaborne coal trading. Ms. Zhu is currently a director of E-Commodities Holdings Private Limited. Ms. Zhu graduated from Beijing University of Chemical Technology in 1995 with a bachelor's degree in Management Engineering and an EMBA degree from Beijing Jiaotong University in 2011.

Profile of Directors and Senior Management

V. COMPANY SECRETARY:

Ms. Chen Xiuzhu (陳秀珠), aged 36, the company secretary of the Company, she also serves as the head of capital operations department of the Company. Ms. Chen joined the Company in July 2012 and has been worked at office of the Board, involved in investors' relationship and domestic and foreign investment and financing. She has intensive experience in respect of corporate governance and capital operations. Ms. Chen is a member of The Hong Kong Institute of Chartered Secretaries. She received a bachelor's degree in arts from China University of Political Science and Law in September 2006, a master's degree in business administration from Beijing Normal University Business School in June 2014 and a master's degree in corporate governance from the Open University of Hong Kong in August 2019.

Corporate Governance Report

The Board is committed to upholding a high standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and furthering Shareholders' interests. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfil its commitment to excellence in corporate governance.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE

The Board has adopted the CG Code set out in Appendix 14 of the Listing Rules as its own set of corporate governance guidelines, with the additional requirement of at least 7 days' prior notice for Board meetings other than regular Board meetings (for which at least 14 days' notice is required) to give all Directors greater opportunity to attend.

Throughout the year ended 31 December 2020, the Board believes that the Company complied with the code provisions (the "**Code Provisions**") under 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. Ms. Cao Xinyi is the chairman of the Board (the "**Chairman**") and also serves as the chief executive officer of the Company (the "**CEO**"). The Board believes that, considering Ms. Cao Xinyi's length of employment and experience in the business and operations of the Group and her professional financial knowledge, vesting the roles of both the Chairman and the CEO in Ms. Cao Xinyi can provide the Group with consistent leadership, facilitate the execution of the Group's business strategies and boost effectiveness of its operations. In addition, under the supervision of the Board (which consists of 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors) and Board committees (only 2 executive Directors served on the Board committees and other members of which are all independent non-executive Directors), the Board is appropriately structured with a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders as a whole. Therefore, the Board considers that the deviation from the Code Provision A.2.1 is appropriate in such circumstances.

Except for the deviation mentioned above from the CG Code, the Board believes that the Company fully complied with all the Code Provisions throughout the year ended 31 December 2020 with which listed issuers are expected to comply with.

Corporate Governance Report

THE BOARD

The Board is the principal decision-making body of the Company. The powers, functions and duties of the Board include convening general meetings and reporting the Board's work at general meetings, implementing resolutions passed at general meetings, determining the Company's business plans and investment plans, formulating the annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles. The Board has given clear directions to the senior management as to the matters that must be approved by the Board before decisions are made on behalf of the Company.

The Board consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The Board considers that it has maintained a balanced composition of executive directors and non-executive directors (including independent non-executive directors). The non-executive Director and three independent non-executive Directors actively participate in the formulation of the Company's policies and seek to represent the interests of the Shareholders as a whole. During the year ended 31 December 2020 and up to the date of this report, the composition of the Board is as follows:

Executive Directors

Ms. Cao Xinyi (Chairman)
Mr. Wang Yaxu
Mr. Li Jianlou
Ms. Di Jingmin

Non-executive Director

Mr. Guo Lisheng

Independent non-executive Directors

Mr. Ng Yuk Keung
Mr. Wang Wenfu
Mr. Gao Zhikai

During the year ended 31 December 2020, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, the number of which must represent at least one-third of its Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Biographical details of the Directors and senior management of the Company are set out in the section headed "Profile of Directors and Senior Management" on pages 23 to 26 of this annual report.

Corporate Governance Report

The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Company's business. There was no material financial, business, family or other relevant relationship among members of the Board.

During 2020, four full board meetings and one general meeting were held. The following is the attendance record of the board meetings held by the Board during 2020:

Name of Director	Attendance/ Number of general meetings attended	Attendance/ Number of board meetings attended
Executive Directors		
Cao Xinyi (Chairman)	1/1	4/4
Wang Yaxu	0/1	4/4
Li Jianlou	0/1	4/4
Di Jingmin	1/1	4/4
Non-executive Director		
Guo Lisheng	0/1	4/4
Independent non-executive Directors		
Ng Yuk Keung	0/1	4/4
Wang Wenfu	0/1	4/4
Gao Zhikai	0/1	4/4

Sufficient notice convening the Board meetings was given to the Directors setting out the matters to be discussed. All Directors were given an opportunity to include matters in the agenda for the Board meetings and have access to the company secretary to ensure that all Board procedures and applicable rules and regulations were followed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary is responsible for keeping minutes for the Board meetings.

Each of executive Directors and non-executive Director has entered into a service contract with the Company for a term of three years. Each of independent non-executive Directors was appointed for a term of three years under the relevant appointment letter. They are all subject to retirement from office by rotation and re-election in accordance with the Articles of Association.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the CEO, Ms. Cao Xinyi, has executive responsibilities, provides leadership to the Board in terms of establishing policies and business direction and oversees the day-to-day management of the Group's business. She ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. She also ensures that all Directors are properly briefed on issues to be discussed at board meetings.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, law, banking and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

The participation of the independent non-executive Directors in the Board brings independent judgment on the issues relating to the Group's strategy, conflicts of interest, connected transactions and management process in order to ensure that the interests of all Shareholders have been duly considered.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all the Directors, each Director confirmed that he/she has complied with the required standard set out in the Model Code throughout the year ended 31 December 2020.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

According to the Articles, at each annual general meeting one-third of the Directors are subject to retirement by rotation or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. Every Director shall be subject to retirement at an annual general meeting at least once every three years. Any other appointment, resignation, removal or re-designation of Director will be disclosed in a timely manner to the Shareholders by way of announcement and shall include in such announcement the reasons given by the Director for his/her resignation.

Corporate Governance Report

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code on 7 September 2010 and revised the written terms of reference on 26 March 2012, 31 December 2015 and 27 December 2018. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system of the Group, overseeing the audit process and acting as the key representative body for overseeing the Group's relations with the external auditor and performing other duties and responsibilities as assigned by the Board from time to time. The audit committee currently comprises the three independent non-executive Directors, Mr. Ng Yuk Keung (Chairman), Mr. Wang Wenfu and Mr. Gao Zhikai.

For the year ended 31 December 2020, the audit committee held 2 meetings, at which members of the audit committee reviewed and discussed with the external auditors and the management of the Group's interim financial results and reports in respect of the first half year of 2020, and the annual financial results and reports in respect of the year ended 31 December 2019, and are of the opinion that such financial statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure has been made.

The attendance records of the audit committee for the year ended 31 December 2020 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Ng Yuk Keung	2/2
Mr. Wang Wenfu	2/2
Mr. Gao Zhikai	2/2

AUDITORS' REMUNERATION

For the year ended 31 December 2020, the fees paid/payable in respect of audit and non-audit services provided by KPMG, the Group's external auditors, are set out below:

Service	Sum (HK$'000)
Audit services	6,506
Other services	19
	6,525

Corporate Governance Report

The audit committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

The Company provided each newly appointed Director with formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities from time to time. The Company will arrange training and professional development for Directors as and when necessary. Each of the Directors also arranged by themselves to participate in courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or reading relevant materials.

During the year ended 31 December 2020, the Directors confirmed that they have participated in training and continuous professional development activities and a summary is provided as follows:

Name of Director	Type of continuous professional development programmes
Executive Directors	
Ms. Cao Xinyi (Chairman)	1,2,3
Mr. Wang Yaxu	1,2,3
Mr. Li Jianlou	1,2,3
Ms. Di Jingmin	1,2,3
Non-executive Director	
Mr. Guo Lisheng	1,2,3
Independent non-executive Directors	
Mr. Ng Yuk Keung	1,2,3
Mr. Wang Wenfu	1,2,3
Mr. Gao Zhikai	1,2,3

Corporate Governance Report

Notes:

1. Reading materials and updates relating to the latest developments of the Listing Rules and other applicable regulatory requirements.

2. Attending seminars/training workshops offered by external professionals and/or experts.

3. Internal group discussions on updates relating to general economy, business trend, corporate governance, directors' duties and the latest development of the Listing Rules and other applicable regulatory requirements.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company deploys appropriate and sufficient resources to prepare its financial statements in accordance with IFRSs. Senior management is required to present and explain the financial reporting and matters that materially affect or may have a material impact on the financial performance and operations of the Company to the audit committee and the Board and respond to the queries and concerns raised by the audit committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the financial statements include applicable disclosure required by the Listing Rules and by the Hong Kong Companies Ordinance. The reporting responsibility of the external auditors of the Company on the financial statements of the Group is set out in the independent auditor's report on pages 51 to 56 of this annual report.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 7 September 2010 with written terms of reference in compliance with the Listing Rules and CG Code. The remuneration committee currently comprises two independent non- executive Directors, namely, Mr. Wang Wenfu (chairman) and Mr. Ng Yuk Keung and one executive Director, Ms. Cao Xinyi. The primary duties of the remuneration committee are to review and formulate remuneration policies for the Directors and senior management, to make recommendations on the remuneration package of the Directors and senior management and to evaluate and make recommendations on employee benefit arrangements.

The remuneration committee held 2 meetings during the year ended 31 December 2020, at which the members of the committee reviewed the remuneration and bonus plan of the Directors and senior management with reference to their duties, responsibilities, experience, qualifications and performance. No Director took part in any discussion about his/her own remuneration.

Corporate Governance Report

The attendance records of the remuneration committee for the year ended 31 December 2020 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Wang Wenfu	2/2
Mr. Ng Yuk Keung	2/2
Ms. Cao Xinyi	2/2

Details of the Directors' remuneration are set out in note 9 to the financial statements.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Company established a nomination and corporate governance committee on 7 September 2010 with written terms of reference in compliance with the CG Code. The nomination and corporate governance committee comprises two independent non-executive Directors, namely, Mr. Gao Zhikai (Chairman) and Mr. Ng Yuk Keung and one executive Director, Ms. Cao Xinyi. The primary function of the nomination and corporate governance committee is to formulate and implement the nomination policy laid down by the Board to oversee the composition, structure and evaluation of the Board and its committees and to develop, recommend to the Board and oversee the implementation of corporate governance principles and policies. The Board has adopted policy of nomination, setting out the standards and procedures for nomination and appointment of directors, to ensure the continuity of the Board and maintain its leadership, for the nomination of candidates for directorship of the Company by considering the skills, experience, professional knowledge, personal integrity and time commitment of such individuals, the Company's needs and other relevant statutory requirements and regulations.

The nomination and corporate governance committee held 2 meetings during the year ended 31 December 2020, at which the members of the committee reviewed and discussed the composition and structure of the Board and also evaluated the performance of the Board and its committees.

The Company has adopted the Board diversity policy, pursuant to which, in reviewing and assessing the Board composition and the nomination of directors, Board diversity has to be considered from a number of aspects, including but not limited to the gender, age, cultural and educational background, professional qualifications and skills, knowledge and industry and regional experience. The nomination and corporate governance committee will review annually the structure, size and composition of the Board and where appropriate, recommend candidates to the Board before election to complement the Company's corporate strategy.

Corporate Governance Report

The attendance records of the nomination and corporate governance committee for the year ended 31 December 2020 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Gao Zhikai	2/2
Mr. Ng Yuk Keung	2/2
Ms. Cao Xinyi	2/2

HEALTH AND SAFETY AND ENVIRONMENTAL COMMITTEE

The Company established a health and safety and environmental committee on 7 September 2010 with written terms of reference. The health and safety and environmental committee comprises two non- executive Directors, Mr. Gao Zhikai and Mr. Wang Wenfu and one executive Director, Mr. Wang Yaxu (Chairman). The primary function of the health and safety and environmental committee is to advise and assist the Board with respect to health, safety and environmental matters.

The health and safety and environmental committee held 1 meeting during the year ended 31 December 2020, at which the members of the committee reviewed and discussed health and safety strategy and implementation plan of the Company.

The attendance records of the health and safety and environmental committee for the year ended 31 December 2020 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Gao Zhikai	1/1
Mr. Wang Wenfu	1/1
Mr. Wang Yaxu	1/1

Corporate Governance Report

INTERNAL CONTROL

The internal control system has been designed to safeguard the assets of the Group, maintain proper accounting records and to ensure execution with appropriate authority and compliance with relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management and internal control system. During the year ended 31 December 2020, the Board carried out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to minimize the risks to which the Group is exposed and used as a management tool for the day-to-day business operation. All purchase and sales contracts need to be reviewed by finance and legal departments before signing. The Group uses ERP system to track and record business invoices, and accounting entries will be generated from the system automatically. During execution, revenue and cost data are regularly being collected and examined with each business department to ensure the truthfulness and accuracy of the records. This allows us to monitor the operations of each business unit. The preparation process of the financial statements includes division of labor, authorisation and review. Only authorised individuals have access to prepare and modify the financial statements. The system can only provide reasonable but not absolute assurance against misstatements or losses. For the year ended 31 December 2020, the Board considers that the Group's internal control system was adequate and effective and that the Company complied with the CG Code with respect to its internal controls.

COMPANY SECRETARY

For the year ended 31 December 2020, in compliance with Rule 3.28 of Listing Rules, the Company's company secretary is a full-time employee of the Company and familiar with the ordinary affairs of the Company. The company secretary supports the Board and each of the Board committees by ensuring good information flow and that policies and procedures of the Board and the relevant Board committees are followed advises the Board on governance matters and facilitates the induction and professional development of Directors. The company secretary also plays an essential role in the relationship between the Company and its Shareholders, including assisting the Board in discharging its obligations to the Shareholders pursuant to the Listing Rules.

In compliance with Rule 3.29 of the Listing Rules, Ms. Chen Xiuzhu confirmed that she has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2020.

Corporate Governance Report

CONVENING GENERAL MEETINGS AND PUTTING FORWARD PROPOSALS BY SHAREHOLDERS

According to the Articles of Association, Shareholders who request the convening of an extraordinary general meeting shall comply with the following procedures:

- General meetings shall be convened on the written requisition of any two or more Shareholders and such written request shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office. Such written request shall specify the objects of the meeting and be signed by the requisitionists, provided that such requisitionists held not less than one-tenth of the nominal value of the issued Shares which carries the right of voting at general meetings of the Company as at the date of deposit of the requisition.

- General meetings shall also be convened on the written requisition of any single Shareholder which is a recognized clearing house (or its nominee(s)) and such written request shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office. Such written request shall specify the objects of the meeting and be signed by the requisitionist, provided that such requisitionist held not less than one-tenth of the nominal value of issued Shares which carries the right of voting at general meetings of the Company as at the date of deposit of the requisition.

- If the Board does not within 21 days from the date of deposit of the requisition duly proceed to convene the general meeting, the requisitionist(s) themselves or any of them representing more than one-half of their total voting rights, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company.

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary or relevant personnel by mail to the Company's principal place of business in Hong Kong at the following address:

Unit 1902, Floor 19,
Far East Finance Centre
16 Harcourt Road, Admiralty, Hong Kong

The company secretary and relevant personnel shall, on a regular basis, report the Shareholder's enquiries and concerns to the Board and/or relevant Board committees of the Company and where appropriate, respond to such enquiries.

Corporate Governance Report

DIVIDEND POLICY

On 27 December 2018, the Board approved and adopted a dividend policy, pursuant to which, in recommending or declaring dividend, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board has the discretion to declare and distribute dividends to Shareholders, subject to the Articles of Association and all applicable laws and regulations. In recommending or declaring dividend, the Board shall take into account, among others, the Group's financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on payment of dividends by the Company to Shareholders or by its subsidiaries to the Company, taxation consideration and any other factors that the Board may consider relevant.

Report of the Directors

Dear Shareholders,

The Board is pleased to present its report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020 prepared in accordance with IFRSs.

PRINCIPAL ACTIVITIES

The Company was incorporated in the BVI as a limited liability company on 17 September 2007. The Shares were listed on the Main Board on 11 October 2010.

The Group is principally engaged in the processing and trading of coal and other products and providing integrated supply chain services. Details of the Company's principal subsidiaries as at 31 December 2020 are set out in note 17 to the financial statements set out in this annual report.

OPERATING RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss on pages 57 to 59 of this annual report.

Further discussion and analysis of the Group's performance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business are set out on pages 2 to 22 of this annual report. This discussion forms part of the Directors' report.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 62 to 63 of this annual report.

As at 31 December 2020, there were no reserves available for distribution to Shareholders (31 December 2019: nil).

Subject to the BVI Business Companies Act 2004, the Company may declare final dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. The Articles of Association provide that dividends may be declared and distributed if the Directors reasonably believe that, immediately after the payment of the dividends, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.

The reserves of the Group available for distribution depend on the dividend distributable by the Company's subsidiaries. Regulations in the PRC currently permit distribution by way of dividends by the PRC subsidiaries only out of accumulated profits as determined in accordance with the PRC generally accepted accounting principles. These distributable profits differ from those that are reflected in the Group's financial statements prepared in accordance with the IFRSs.

Report of the Directors

DIVIDENDS

No dividend was declared for the year ended 31 December 2020.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 166 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2020 are set out in note 13 to the financial statements set out in this annual report.

SHARE CAPITAL

The Shares are without par value. Details of the movements in number of authorised and issued Shares during 2020 are set out in note 32 to the financial statements set out in this annual report.

LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in notes 25, 26 and 29 to the financial statements set out in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Most of the Group's products are sold to steel mills in China. For the year ended 31 December 2020, sales to the Group's five largest customers accounted for 33.03% of the total revenue of the Group. The largest customer was accounted for 12.85% of the total revenue of the Group.

For the year ended 31 December 2020, total procurement amount of commodities was HK$19,181 million, of which, the top five suppliers accounted for 58.13%. The largest supplier accounted for 32.70% of the total procurement amount.

At no time during the year had the Directors, their associates or any Shareholder (which to the knowledge of the Directors own(s) more than 5% of the number of issued Shares) had any interest in these major customers and suppliers.

Report of the Directors

DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

The Directors during the year and up to the date of this report of the Directors are as follows:

Name	Position
Executive Directors	
Ms. Cao Xinyi	Executive Director and Chairman and CEO
Mr. Wang Yaxu	Executive Director and chief financial officer
Mr. Li Jianlou	Executive Director
Ms. Di Jingmin	Executive Director
Non-executive Director	
Mr. Guo Lisheng	Non-executive Director
Independent Non-executive Directors	
Mr. Ng Yuk Keung	Independent Non-executive Director
Mr. Wang Wenfu	Independent Non-executive Director
Mr. Gao Zhikai	Independent Non-executive Director

Biographical details of the current Directors and the senior management of the Company are set out in the section headed "Profile of Directors and Senior Management" on pages 23 to 26 in this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has entered into any service agreements with the Company or any other member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 34 to the consolidated financial statements, none of the Directors and controlling shareholders of the Company had a material beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Report of the Directors

CONNECTED TRANSACTIONS

During the year ended 31 December 2020, there were no transactions that are required to be disclosed in accordance with announcement and reporting requirement under Chapter 14A the Listing Rules.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company receive compensation in the form of fees, salaries, allowances, share-based incentive payments, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to the Company or discharging their duties in relation to the operations of the Company. When reviewing and determining the specific remuneration packages for executive Directors, the remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Director, employment elsewhere in the Group and desirability of performance-based remuneration.

Details of the remuneration of the Directors are set out in note 9 to the financial statements set out in this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent in accordance with the guidelines set out in the Listing Rules.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which (a) were required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Name of Director	Name of corporation	Nature of interest	Aggregate number of Shares	Approximate percentage of interest in the corporation[1]
Cao Xinyi	The Company	Beneficial owner	12,052,041	0.40%
Wang Yaxu	The Company	Beneficial owner	10,736,190	0.35%
Li Jianlou	The Company	Beneficial owner	5,110,030[2]	0.17%
Di Jingmin	The Company	Beneficial owner	3,013,030	0.10%

Notes:

(1) The percentage shareholding of the Company is calculated on the basis of 3,026,882,356 Shares in issue as at 31 December 2020, as the denominator.

(2) Mr. Li Jianlou is deemed to be interested in 2,017,000 Shares held by his spouse.

Save as disclosed above, as at 31 December 2020, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Report of the Directors

SHARE-BASED INCENTIVE PLANS

Restricted Share Unit Scheme

Under the Restricted Share Unit Scheme, the Company may grant RSU Awards to Directors (including executive Directors, non-executive Directors and independent non-executive Directors), officers, full-time employees, advisors and agents who provide value-added services to the Company or its subsidiaries. An RSU Award gives a participant under the RSU Scheme a conditional right when the RSU Award vests to obtain either Shares (existing Shares in issue or new Shares to be issued by the Company) or an equivalent value in cash with reference to the value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion. The Board may determine the vesting criteria, conditions and the time when the RSU Awards will vest.

The purposes of the RSU Scheme are to retain and motivate its participants to make contributions to the long-term growth and profits of the Company with a view to achieving the objective of increasing the value of the Group and to promote a greater alignment of interests between the participants and the Shareholders of the Company. The Board will select participants to receive RSU Awards under the RSU scheme at its discretion.

During the year ended 31 December 2020, 46,542,693 RSU Awards were granted by the Company under the RSU Scheme. As at 31 December 2020, no outstanding and unvested RSU Awards were held by Directors. The details of RSU Awards granted during the year ended 31 December 2020 are set out below:

	RSU Awards held as at 1 January 2020	RSU Awards granted as at 19 January 2020	RSU Awards vested during the year	RSU Awards lapsed/ cancelled during the year
Others				
Grantees other than Directors	0	46,542,693	46,542,693	0
Total	**0**	**46,542,693**	**46,542,693**	**0**

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2020, Shareholders who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Name of Corporation	Nature of Interest	Aggregate number of Shares[1]	Approximate percentage of interest in the corporation[8]
Wang Yihan[2]	The Company	Interest of controlled corporation	1,500,080,608 (L)	49.56%
Famous Speech	The Company	Beneficial Owner	1,500,080,608 (L)	49.56%
Wang Xingchun[3][4]	The Company	Interest of controlled corporation	56,412,505 (L)	
		Interest of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under section 317 of the SFO	1,500,080,608 (L)	
		Total	1,556,493,113 (L)	51.42%
Winsway Group Holdings[3][5]	The Company	Interest of controlled corporation	56,412,505 (L)	
		Interest of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under section 317 of the SFO	1,500,080,608 (L)	
		Total	1,556,493,113 (L)	51.42%

Report of the Directors

Name of Shareholder	Name of Corporation	Nature of Interest	Aggregate number of Shares[1]	Approximate percentage of interest in the corporation[8]
China Minmetals Corporation[6]	The Company	Interest of controlled corporation	1,503,195,952 (L)	49.66%
Magnificent Gardenia[6]	The Company	Interest of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under section 317 of the SFO	1,500,080,608 (L)	49.56%

Notes:

(1) (L) – long position.

(2) Ms. Wang directly controls Famous Speech and is deemed to be interested in the 1,500,080,608 Shares held by Famous Speech.

(3) Mr. Wang Xingchun, Winsway Group Holdings, Winsway Resources Holdings, Great Start Development Limited, Winsway International Petroleum & Chemicals Limited and Famous Speech have entered into an agreement which is covered by s.317 and s.318 of the SFO and each of Mr. Wang's Group is deemed to be interested in the 1,500,080,608 Shares held by Famous Speech by virtue of s.317 of the SFO.

(4) Mr. Wang Xingchun indirectly holds the entire issued share capital of Winsway Resources Holdings and is deemed to be interested in the 56,412,505 Shares held by Winsway Resources Holdings.

(5) Winsway Group Holdings directly holds the entire issued share capital of Winsway Resources Holdings and is deemed to be interested in the 56,412,505 Shares held by Winsway Resources Holdings. Mr. Wang Xingchun is the sole director of Winsway Group Holdings.

(6) China Minmetals Corporation ("**China Minmetals**") is deemed to be interested in 1,503,195,952 Shares. 3,115,344 of such Shares are held by certain other companies that were controlled directly or indirectly by China Minmetals, and China Minmetals is deemed to be interested in another 1,500,080,608 Shares because Magnificent Gardenia, a corporation controlled by it, entered into an agreement which is covered by s.317 and s.318 of the SFO and is deemed to be interested in the 1,500,080,608 Shares held by Famous Speech by virtue of s.317 of the SFO.

(7) The percentage shareholding of the Company is calculated on the basis of 3,026,882,356 Shares in issue, as at 31 December 2020, as the denominator.

Report of the Directors

Save as disclosed above, as at 31 December 2020, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions representing 5% or more of the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2020.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance (as that term is used in Appendix 16 of the Listing Rules) in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Save as disclosed in this annual report, no contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

Save as disclosed in this annual report, no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

Report of the Directors

AUDIT COMMITTEE

The audit committee consists of three independent non-executive Directors, Mr. Ng Yuk Keung (chairman), Mr. Wang Wenfu and Mr. Gao Zhikai.

The audit committee has reviewed, together with the management of the Company, the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the financial statements of the Group for the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

There are no applicable provisions for pre-emptive rights under the Articles of Association or the BVI Business Companies Act 2004 under which the Company is incorporated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2020.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the CG Code. Throughout the year ended 31 December 2020, save as disclosed in the Corporate Governance Report in this annual report, the Company has complied with all the applicable code provisions as set out in the CG Code. For details of the corporate governance practice of the Company, please refer to the Corporate Governance Report on pages 27 to 38 of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the ordinary course of business are set out in note 34 to the financial statement set out in this annual report. The related party transactions disclosed in note 34 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

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

Repurchase of shares

As at 31 December 2020, the Company had a total of 3,026,882,356 Shares in issue. The Board gave adequate consideration to: i) the sufficient and stable cash flows of the Company; ii) its confidence in the business prospects of the Company; and iii) the current stock price of the Company is significantly below the fair value of the Company, the Company repurchased a total of 14,316,000 Shares on the Hong Kong Stock Exchange for a settlement costs of HKS$2,818,947.07 during the year ended 31 December 2020. All of the repurchased Shares were cancelled in 2020.

Details of the repurchases are summarised as follows:

Months of the repurchases	Total number of Shares repurchased	Repurchased price per Share Highest (HK$)	Repurchased price per Share Lowest (HK$)	Settlement cost (HK$)
May	1,104,000	0.185	0.180	200,712.26
July	13,212,000	0.202	0.189	2,618,234.81
Total	14,316,000	–	–	2,818,947.07

Save as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020.

Report of the Directors

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of their duty in their offices or otherwise in relation thereto. Such permitted indemnity provision was in force throughout the year ended 31 December 2020 and the period ended on the date of this report. The Company arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company for the year ended 31 December 2020 and the period ended on the date of this report.

On behalf of the Board
Cao Xinyi
Chairman

26 March 2021

Independent auditor's report

Independent auditor's report to the shareholders of E-Commodities Holdings Limited
(incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of E-Commodities Holdings Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 57 to 161, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent auditor's report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue

Refer to note 4 to the consolidated financial statements and the accounting policies on page 88.

The Key Audit Matter	How the matter was addressed in our audit
The Group has the following principal sources of revenue: – the importing, processing and trading of coal and other products; – the trading of coal and other products under framework contracts signed with certain third party companies pursuant to which those third party companies act as agents of the Group to sign sales 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 both customers and suppliers respectively; and – the rendering of integrated supply chain services.	Our audit procedures to assess the recognition of revenue included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue; • inspecting significant new sales contracts entered into during the year to obtain an understanding of the contract terms, in particular, those relevant to the timing and amount of revenue recognised with reference to the Group's revenue recognition accounting policies; • considering the Group's revenue recognition accounting policies with reference to the requirements of the prevailing accounting standards;

Independent auditor's report

The Key Audit Matter

These sources of revenue have differing trade terms and revenue recognition criteria and the accounting systems handle a high volume of individual transactions all of which increase the risk that errors may be made in the recognition of revenue.

We identified recognition of revenue as a key audit matter because revenue is a key performance measure for the Group and a key driver of the gross margin which increases the risk that revenue may be manipulated to meet targets and expectations and because the volume of transactions and differing trade terms increase the risk of errors in the recognition of revenue.

How the matter was addressed in our audit

- selecting a sample of sales transactions recorded during the reporting period and just after the end of the reporting period and comparing the details with the underlying sales invoices, sales contracts and relevant documentation evidencing the date of delivery and acceptance of the goods or services to assess whether the related revenue has been recognised in the appropriate accounting period and in accordance with the Group's revenue recognition accounting policies;

- requesting confirmations from the Group's customers, on a sample basis, to confirm the sales transaction amounts during the reporting period and inspecting underlying documentation relating to reconciling differences between the transactions confirmed by customers and the Group's accounting records;

- inspecting manual adjustments to revenue during the reporting period which met certain risk-based criteria and inquiring management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

Independent auditor's report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained the Management Discussion and Analysis prior to the date of this auditor's report. This remaining information is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent auditor's report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent auditor's report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Tsz Chung.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2021

Consolidated statement of profit or loss

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	**2020** **$'000**	2019 $'000
Revenue	4	**21,977,308**	30,051,788
Cost of sales		**(20,522,997)**	(28,835,112)
Gross profit		**1,454,311**	1,216,676
Other revenue	5	**14,319**	28,330
Distribution costs		**(67,592)**	(252,816)
Administrative expenses		**(554,639)**	(431,280)
Other operating expenses, net	6	**(142,636)**	(65,837)
(Impairment)/reversal of impairment of non-current assets	7(c)	**(11,241)**	15,800
Profit from operations		**692,522**	510,873
Finance income		**50,382**	46,684
Finance costs		**(227,851)**	(243,624)
Net finance costs	7(a)	**(177,469)**	(196,940)
Share of profits of associates	18	**47,972**	11,115
Share of losses of joint ventures	19	**(10,800)**	(90)
Profit before taxation		**552,225**	324,958
Income tax	8	**(99,678)**	(12,155)
Profit for the year		**452,547**	312,803

Consolidated statement of profit or loss

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	**2020** **$'000**	2019 $'000
Profit attributable to:			
Equity shareholders of the Company		**462,364**	312,404
Non-controlling interests		**(9,817)**	399
Profit for the year		**452,547**	312,803
Earnings per share	12		
Basic (HK$)		**0.152**	0.103
Diluted (HK$)		**0.152**	0.097

The notes on pages 67 to 161 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 32(b).

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	2020 $'000	2019 $'000
Profit for the year	**452,547**	312,803
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	**(2,056)**	(2,846)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**214,294**	(60,178)
Other comprehensive income for the year	**212,238**	(63,024)
Total comprehensive income for the year	**664,785**	249,779
Total comprehensive income attributable to:		
Equity shareholders of the Company	**675,350**	248,022
Non-controlling interests	**(10,565)**	1,757
Total comprehensive income for the year	**664,785**	249,779

The notes on pages 67 to 161 form part of these financial statements.

Consolidated statement of financial position

at 31 December 2020
(Expressed in Hong Kong dollars)

	Note	At 31 December 2020 $'000	At 31 December 2019 $'000
Non-current assets			
Property, plant and equipment, net	13	**802,989**	657,682
Right-of-use assets	15	**914,462**	738,014
Construction in progress	14	**441,697**	81,624
Intangible assets	16	**88,186**	103,494
Interest in associates	18	**1,259,701**	1,116,007
Interest in joint ventures	19	**30,458**	16,656
Other investments in equity securities	20	**106,164**	103,355
Deferred tax assets	31(b)	**36,523**	14,531
Total non-current assets		**3,680,180**	2,831,363
Current assets			
Inventories	21	**681,533**	1,387,414
Trade and other receivables	22	**2,684,538**	3,458,941
Restricted bank deposits	23	**924,367**	941,928
Cash and cash equivalents	24	**721,819**	702,915
Total current assets		**5,012,257**	6,491,198
Current liabilities			
Secured bank loans	25	**920,280**	2,887,531
Trade and other payables	28	**2,627,167**	2,058,552
Other interest-bearing borrowings	29	**712,868**	605,788
Lease liabilities	30	**135,538**	78,160
Income tax payable	31(a)	**86,954**	72,088
Convertible bonds payables	26	**–**	237,502
Total current liabilities		**4,482,807**	5,939,621
Net current assets		**529,450**	551,577
Total assets less current liabilities		**4,209,630**	3,382,940

Consolidated statement of financial position

at 31 December 2020
(Expressed in Hong Kong dollars)

	Note	At 31 December 2020 $'000	At 31 December 2019 $'000
Non-current liabilities			
Secured bank loans	25	**81,986**	–
Lease liabilities	30	**166,869**	116,276
Deferred income	27	**129,680**	124,930
Deferred tax liabilities	31(b)	**20,482**	–
Total non-current liabilities		**399,017**	241,206
NET ASSETS		**3,810,613**	3,141,734
CAPITAL AND RESERVES			
Share capital	32(c)	**5,784,673**	5,789,362
Reserves	32(d)	**(1,857,920)**	(2,527,970)
Total equity attributable to equity shareholders of the Company		**3,926,753**	3,261,392
Non-controlling interests		**(116,140)**	(119,658)
TOTAL EQUITY		**3,810,613**	3,141,734

Approved and authorised for issue by the board of directors on 26 March 2021.

Cao Xinyi) Directors
Wang Yaxu)

The notes on pages 67 to 161 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Share capital $'000 (note 32(c))	Statutory reserve $'000 (note 32(d))	Employee share trusts $'000 (note 32(c))	Other reserve $'000 (note 32(d))	Exchange reserve $'000 (note 32(d))	Treasury shares $'000 (note 32(d))	Fair value reserve (non-recycling) $'000	Accumulated loss $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2020	**5,789,362**	**252,823**	**(16,555)**	**(28,270)**	**(92,298)**	**(1,878)**	**(28,663)**	**(2,613,129)**	**3,261,392**	**(119,658)**	**3,141,734**
Changes in equity for 2020:											
Total comprehensive income	–	–	–	–	215,042	–	(2,056)	462,364	675,350	(10,565)	664,785
Purchase of own shares (note 32(c))	(4,689)	–	–	–	–	1,878	–	–	(2,811)	–	(2,811)
Contribution to employee share trusts (note 32(c))	–	–	(5,063)	–	–	–	–	–	(5,063)	–	(5,063)
Grant of restricted share units to employees (note 32(c)(ii))	–	–	14,943	(4,966)	–	–	–	–	9,977	–	9,977
Appropriation to statutory reserve	–	16,766	–	–	–	–	–	(16,766)	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,174)	(2,174)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	3,802	3,802
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	363	363
Capital contribution to a subsidiary	–	–	–	(12,092)	–	–	–	–	(12,092)	12,092	–
Balance at 31 December 2020	**5,784,673**	**269,589**	**(6,675)**	**(45,328)**	**122,744**	**–**	**(30,719)**	**(2,167,531)**	**3,926,753**	**(116,140)**	**3,810,613**

The notes on pages 67 to 161 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Share capital $'000 (note 32(c))	Statutory reserve $'000 (note 32(d))	Employee share trusts $'000 (note 32(c))	Other reserve $'000 (note 32(d))	Exchange reserve $'000 (note 32(d))	Treasury shares $'000 (note 32(d))	Fair value reserve (non-recycling) $'000	Accumulated loss $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2019	5,797,302	229,862	(17,722)	(24,468)	(30,762)	–	(25,817)	(2,683,014)	3,245,381	(124,257)	3,121,124
Changes in equity for 2019:											
Total comprehensive income	–	–	–	–	(61,536)	–	(2,846)	312,404	248,022	1,757	249,779
Purchase of own shares (note 32(c))	(7,940)	–	–	–	–	(1,878)	–	–	(9,818)	–	(9,818)
Contribution to employee share trusts (note 32(c))	–	–	(24,874)	–	–	–	–	–	(24,874)	–	(24,874)
Grant of restricted share units to employees (note 32(c))	–	–	24,468	(3,802)	–	–	–	–	20,666	–	20,666
Appropriation to statutory reserve	–	22,961	–	–	–	–	–	(22,961)	–	–	–
Dividends declared	–	–	1,573	–	–	–	–	(219,558)	(217,985)	–	(217,985)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	2,842	2,842
Balance at 31 December 2019	5,789,362	252,823	(16,555)	(28,270)	(92,298)	(1,878)	(28,663)	(2,613,129)	3,261,392	(119,658)	3,141,734

The notes on pages 67 to 161 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 $'000
Operating activities			
Profit before taxation		**552,225**	324,958
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets		**135,356**	101,620
Amortisation of intangible assets		**6,946**	7,279
Interest income	7(a)	**(26,991)**	(24,314)
Interest expenses	7(a)	**174,734**	194,052
Net realised and unrealised loss and changes in fair value on derivative financial instruments		**84,262**	27,659
Loss on disposal of property, plant and equipment, net	6	**26,934**	10,056
Share of profits of associates		**(47,972)**	(11,115)
Share of losses of joint ventures		**10,800**	90
Impairment/(reversal of impairment) of non-current assets		**11,241**	(15,800)
Foreign exchange loss, net		**26,901**	17,468
		954,436	631,953
Decrease/(increase) in inventories		**611,824**	(282,563)
Decrease in trade and other receivables		**1,032,245**	775,863
Increase in trade and other payables		**460,997**	309,326
Income tax paid		**(94,120)**	(47,899)
Net cash generated from operating activities		**2,965,382**	1,386,680

Consolidated cash flow statement

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	2020 $'000	2019 $'000
Investing activities		
Payment for purchase of property, plant and equipment, construction in progress, and intangible assets	**(467,156)**	(281,591)
Repayment of loan from a third party	**–**	21,485
Proceeds from sale of property, plant and equipment	**5,457**	2,276
Decrease/(increase) in restricted bank deposits	**17,561**	(498,332)
Net cash outflows from purchase or settlement of derivative financial instruments	**(132,640)**	(72,239)
Capital contributions to an associate	**(27)**	(1,093,974)
Capital contributions to a joint venture	**(24,132)**	(16,745)
Proceeds from reduction of capital in an investment in equity securities	**1,980**	–
Dividends received from an associate	**9,779**	–
Interest received	**30,089**	12,592
Net cash used in investing activities	**(559,089)**	(1,926,528)
Financing activities		
Proceeds from bank loans	**13,281,297**	18,353,434
Repayment of bank loans	**(15,286,625)**	(17,853,825)
Redemption of convertible bonds	**(276,191)**	(84,465)
Proceeds from interest-bearing borrowings from an associate	**119,598**	605,788
Repayment of interest-bearing borrowings from an associate	**(55,140)**	–
Capital element of finance leases rentals paid	**(92,942)**	(47,106)
Interest element of finance leases rentals paid	**(12,897)**	(7,542)
Collection of receivables under finance lease	**–**	1,992
Interest paid	**(108,410)**	(156,048)
Dividends paid to equity shareholders of the Company	**–**	(217,985)
Dividends paid to non-controlling interests	**(2,174)**	–
Contribution from non-controlling interests	**3,802**	2,842
Purchase of own shares	**(2,811)**	(9,818)
Contribution to employee share trusts	**(5,063)**	(24,874)
Net cash (used in)/generated from financing activities	**(2,437,556)**	562,393

Consolidated cash flow statement

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 $'000
Net (decrease)/increase in cash and cash equivalents		**(31,263)**	22,545
Cash and cash equivalents at 1 January	24(a)	**702,915**	699,361
Effect of foreign exchange rate changes		**50,167**	(18,991)
Cash and cash equivalents at 31 December	24(a)	**721,819**	702,915

The notes on pages 67 to 161 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in associates and joint ventures.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

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

– Investments in equity securities (see note 2(g)); and

– derivative financial instruments (see note 2(h)).

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

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

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)),

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(l)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2(l)).

Unrealised profits and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 2(d)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arise is tested annually for impairment (see note 2(l)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 33(e).

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, are recognised in profit or loss as other income in accordance with the policy set out in note 2(v)(iii).

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the statement of financial position at cost less impairment losses (see note 2(l)). The construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	10 to 20 years
Plant and machinery	3 to 20 years
Motor vehicles	4 to 10 years
Office and other equipment	2 to 10 years
Railway special assets	8 to 50 years

Freehold land is not depreciated.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation with finite useful lives, and impairment losses (see note 2(l)). Amortisation is recognised in profit or loss on a straight-line basis over the assets' useful lives. The following other intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	10 years
Exclusive services agreement	20 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(i) As a lessee (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(i) and 2(l)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including trade and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

Other 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, and trade and other receivables: 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.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

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.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk (continued)

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

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 past due event;

– 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 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.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– construction in progress;

– intangible assets; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(l)(i)).

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Convertible bonds

(i) Convertible bonds that contain an equity component

Convertible bonds that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible bonds as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bonds are converted or redeemed.

If the bonds is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds is redeemed, the capital reserve is released directly to retained profits.

(ii) Other convertible bonds

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible bonds is 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 is recognised as the host liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the host liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Convertible bonds (continued)

(ii) Other convertible bonds (continued)

The derivative component is subsequently remeasured in accordance with derivative financial instruments with note 2(h). The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the bonds are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs, see note 2(x).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Obligations for contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in relevant jurisdictions are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options and restricted share units granted to employees is recognised as an employee cost with a corresponding increase in the other reserve within equity. The fair value of share options is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of restricted share units is measured at grant date using the market price of the Company's shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options and restricted share units, the total estimated fair value of the options and restricted share units is spread over the vesting period, taking into account the probability that the options and restricted share units will vest.

During the vesting period, the number of share options and restricted share units that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the other reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options and restricted share units that vest (with a corresponding adjustment to the other reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount related to share options is recognised in the other reserve until either the option is exercised (when it is transferred to the share capital account) or the option expires (when it is released directly to retained earnings). The equity amount related to restricted share units is recognised in other reserve until the restricted share units become vested and is transferred to employee share trusts.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Sales of goods

Revenue is recognised when the customer takes possession of and accepts the goods which was taken to be the point in time when the customer obtain control of the goods.

In the comparative period, revenue from sales of goods was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income (continued)

(ii) Rendering of services

Revenue from rendering of services are recognised when the services are rendered.

Where a contract has two or more performance obligations, the Group allocates the transaction price to each service in proportion to those stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Group sells the services in separate transactions.

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(l)(i)). Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the assets.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired, are translated into HK$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of these financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing these financial statements. The principal accounting policies are set forth in note 2.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Sources of estimation uncertainty

Notes 13(a) and 33(e) contain information about the assumptions and their risk factors relating to impairment/reversal of impairment of non-current assets and fair value of financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Impairment of non-current assets

If circumstances indicate that the carrying amount of an asset may not be recoverable, this asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to the level of sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales revenue and amount of operating costs. An increase or decrease in the above impairment loss would affect the net profit in future years.

(ii) Allowance for diminution in value of inventories

If the costs of inventories exceed their net realisable values, an allowance for diminution in value of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Management bases the estimates on all available information, including the current market prices of the products, and historical operating costs. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual allowance for diminution in value of inventories could be higher than estimated.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Sources of estimation uncertainty (continued)

(iii) ECL for financial assets

As explained in note 2(l), The Group estimates ECL for financial assets measured at amortised cost. 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. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(iv) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

4 REVENUE AND SEGMENT REPORTING

The Group is principally engaged in the processing and trading of coal and other products and providing integrated supply chain services. 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 providing integrated supply chain services.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Disaggregation of revenue

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

	2020 **$'000**	2019 $'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Coal	**18,248,481**	26,291,787
– Oil and petrochemical products	**2,051,638**	2,061,981
– Rendering of integrated supply chain services	**973,443**	184,301
– Iron ore	**329,587**	1,024,083
– Nonferrous metals	**326,685**	423,871
– Coke	**5,769**	27,839
– Others	**41,705**	37,926
	21,977,308	30,051,788

Among the Group's revenue from the trading of coal and other products, $956,907,000 (2019: $1,524,784,000) was traded under framework contracts signed with a third party company pursuant to which this third party company act as agent of the Group to sign sale and purchase contracts with customers and suppliers whilst the Group is responsible for identifying customers and suppliers and negotiating and determining the price, quantity of the commodities and transportation and payment terms with customers and suppliers, respectively.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 4(b)(i) and 4(b)(iii) respectively.

The Group's customer base is diversified and includes one customer which amounted to approximately $2,825,078,000 (2019: one customer which amounted to approximately $3,262,001,000) with whom transactions have exceeded 10% of the Group revenues. Details of concentration of credit risk arising from the largest and the largest five customers are set out in note 33(a).

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

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

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

– Integrated supply chain services: this segment constructs, manages and operates processing factories and logistics parks and generates income from rendering of warehousing, consigned processing and logistics services to external customers.

(i) Segment results, assets and liabilities

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

Segment assets include all tangible assets, intangible assets and current assets with the exception of deferred tax assets. Segment liabilities include all the liabilities with the exception of income tax payables and deferred tax liabilities.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit or loss arising from the activities of the Group's associates and joint ventures. However, other than reporting inter-segment sales of coal and other products and logistics services, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

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

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning inter-segment sales, the Group's share of associates and joint ventures, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment/reversal of impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	Processing and trading of coal and other products		Rendering of integrated supply chain services		Total	
	2020	2019	**2020**	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Disaggregated by timing of revenue recognition						
Point in time	**21,003,865**	29,867,487	**897,857**	–	**21,901,722**	29,867,487
Over time	**-**	–	**75,586**	184,301	**75,586**	184,301
Revenue from external customers	**21,003,865**	29,867,487	**973,443**	184,301	**21,977,308**	30,051,788
Inter-segment revenue	**-**	–	**283,113**	114,612	**283,113**	114,612
Reportable segment revenue	**21,003,865**	29,867,487	**1,256,556**	298,913	**22,260,421**	30,166,400
Reportable segment profit (adjusted EBITDA)	**757,665**	599,293	**176,362**	12,817	**934,027**	612,110
Interest income	**14,964**	23,618	**12,027**	696	**26,991**	24,314
Interest expense	**(121,206)**	(183,078)	**(53,528)**	(10,974)	**(174,734)**	(194,052)
Depreciation and amortisation	**(38,963)**	(92,316)	**(103,339)**	(16,583)	**(142,302)**	(108,899)
(Impairment)/reversal of impairment of non-current assets	**(11,241)**	15,800	**-**	–	**(11,241)**	15,800
(Impairment losses)/reversal of impairment losses on trade and other receivables	**(34,271)**	2,900	**(16,519)**	(13)	**(50,790)**	2,887
Reportable segment assets (including interest in associates and joint ventures)	**7,423,737**	8,563,296	**1,974,810**	1,259,136	**9,398,547**	9,822,432
Additions to non-current segment assets during the year	**171,388**	242,759	**591,467**	379,369	**762,855**	622,128
Reportable segment liabilities	**4,317,504**	5,852,727	**1,199,517**	770,414	**5,517,021**	6,623,141

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	2020	2019
	$'000	$'000
Revenue		
Reportable segment revenue	**22,260,421**	30,166,400
Elimination of inter-segment revenue	**(283,113)**	(114,612)
Consolidated revenue	**21,977,308**	30,051,788

	2020	2019
	$'000	$'000
Profit		
Reportable segment profit	**934,027**	612,110
Depreciation and amortisation	**(142,302)**	(108,899)
(Impairment)/reversal of impairment of non-current assets	**(11,241)**	15,800
(Impairment losses)/reversals of impairment losses on trade and other receivables	**(50,790)**	2,887
Net finance costs	**(177,469)**	(196,940)
Consolidated profit before taxation	**552,225**	324,958

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	At 31 December 2020 $'000	At 31 December 2019 $'000
Assets		
Reportable segment assets	**9,398,547**	9,822,432
Deferred tax assets	**36,523**	14,531
Elimination of inter-segment receivables	**(742,633)**	(514,402)
Consolidated total assets	**8,692,437**	9,322,561
Liabilities		
Reportable segment liabilities	**5,517,021**	6,623,141
Income tax payable	**86,954**	72,088
Deferred tax liabilities	**20,482**	–
Elimination of inter-segment payables	**(742,633)**	(514,402)
Consolidated total liabilities	**4,881,824**	6,180,827

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information

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

	Revenues from external customers		**Specified non-current assets**	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
The PRC (including Hong Kong, Macau and Taiwan)	**19,101,790**	27,130,916	**3,162,002**	2,515,996
South Korea	**1,393,500**	1,025,446	**–**	–
India	**552,386**	675,471	**–**	–
Poland	**267,846**	154,290	**–**	–
Turkey	**191,064**	792,657	**–**	–
Indonesia	**155,237**	77,022	**–**	–
United Kingdom	**80,115**	–	**–**	–
Italy	**64,878**	–	**–**	–
Brazil	**60,376**	85,719	**–**	–
Vietnam	**68,479**	–	**–**	–
Mongolia	**41,637**	57,552	**312,917**	149,415
Japan	**–**	31,128	**26,698**	25,760
Others	**–**	21,587	**35,876**	22,306
	21,977,308	30,051,788	**3,537,493**	2,713,477

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 OTHER REVENUE

	2020 $'000	2019 $'000
Government grants	**13,678**	2,735
Penalty incomes (note)	**–**	13,513
Others	**641**	12,082
	14,319	28,330

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

6 OTHER OPERATING EXPENSES, NET

	2020 $'000	2019 $'000
Loss on disposal of property, plant and equipment, net	**26,934**	10,056
Net realised and unrealised loss on derivative financial instruments (note)	**107,653**	50,029
Others	**8,049**	5,752
	142,636	65,837

Note: Net realised and unrealised loss on derivative financial instruments represented the net gain or loss from commodity futures contracts entered into by the Group during the year ended 31 December 2020 and 2019.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2020 $'000	2019 $'000
Interest income on financial assets measured at amortised cost	**(26,991)**	(24,314)
Changes in fair value on conversion option embedded in convertible bonds and warrants (note 26)	**(23,391)**	(22,370)
Finance income	**(50,382)**	(46,684)
Interest on secured bank loans	**29,947**	74,523
Interest on other interest-bearing borrowings	**28,959**	1,054
Interest on discounted bills receivable	**34,519**	66,487
Interest on lease liabilities	**12,627**	7,362
Interest on convertible bonds (note 26)	**68,682**	44,626
Total interest expense	**174,734**	194,052
Bank and other charges	**26,216**	32,104
Foreign exchange loss, net	**26,901**	17,468
Finance costs	**227,851**	243,624
Net finance costs	**177,469**	196,940

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	2020	2019
	$'000	$'000
Salaries, wages, bonus and other benefits	**376,197**	292,007
Contributions to defined contribution retirement plan	**2,991**	8,315
	379,188	300,322

During the year ended 31 December 2020, staff costs of the Group included accrued bonus of approximately $170,096,000 (year ended 31 December 2019: $61,236,000) 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.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2020 **$'000**	2019 $'000
Amortisation and depreciation#		
– property, plant and equipment	**67,974**	58,905
– right-of-use assets	**67,382**	42,715
– intangible assets	**6,946**	7,279
Impairment losses/(reversal of impairment losses) on trade and other receivables		
– trade and bill receivables	**50,845**	(2,279)
– other receivables	**(55)**	(608)
Impairment/(reversal of impairment) of non-current assets		
– property, plant and equipment (note 13)	**–**	(15,800)
– intangible asset (note 16)	**11,241**	–
Auditors' remuneration		
– audit services	**6,088**	5,858
– other services	**19**	506
Cost of inventories#	**19,856,144**	28,700,363

Cost of inventories includes $42,256,000 (2019: $55,722,000) and $79,245,000 (2019: $51,895,000) for the year ended 31 December 2020 relating to staff costs, depreciation and amortisation which amount is also included in the respective total amount disclosed separately above or in note 7(b) for each type of these expenses.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020	2019
	$'000	$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**3,360**	17,244
Current tax – Outside of Hong Kong		
Provision for the year	**93,995**	48,506
Under/(over)-provision in respect of prior years (note)	**3,833**	(39,064)
Deferred Tax		
Origination and reversal of temporary differences (note 31(b))	**(1,510)**	(14,531)
	99,678	12,155

Note: The Group's subsidiary E-Commodities Holdings Private Limited ("**E-Commodities Singapore**") was incorporated in Singapore. During the year ended 31 December 2019, local tax authorities confirmed that E-Commodities Singapore was eligible for the Global Trader Program Incentive which allows E-Commodities Singapore to benefit from a preferential income tax rate of 10% on its qualifying income for the period from 1 January 2018 to 31 December 2018 (statutory tax rate: 17%). Therefore, the Group reversed income tax payable of $16,249,000 during the year ended 31 December 2019.

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

The provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year.

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

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

	2020 $'000	2019 $'000
Profit before taxation	**552,225**	324,958
Notional tax on profit before taxation, calculated at the rates applicable to profit in the jurisdictions concerned	**100,947**	88,297
Tax effect of non-taxable income	**(2,206)**	(10,911)
Tax effect of non-deductible expenses	**2,056**	923
Tax effect of utilisation of previously unrecognised tax losses	**(52,247)**	(21,064)
Tax effect of unused tax losses and other temporary differences not recognised	**47,295**	(6,026)
Under/(over)-provision in respect of prior years	**3,833**	(39,064)
Actual tax expense	**99,678**	12,155

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2020			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Total $'000
Executive directors				
Cao Xinyi	97	12,492	18	12,607
Li Jianlou	97	6,595	92	6,784
Wang Yaxu	97	7,759	92	7,948
Di Jingmin	97	5,141	92	5,330
Non-executive directors				
Guo Lisheng	–	–	–	–
Independent non-executive directors				
Gao Zhikai	776	–	–	776
Ng Yuk Keung	776	–	–	776
Wang Wenfu	776	–	–	776
Total	2,716	31,987	294	34,997

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS (CONTINUED)

	2019			
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement Scheme Contributions $'000	Total $'000
Executive directors				
Cao Xinyi	–	12,103	18	12,121
Li Jianlou	–	4,723	145	4,868
Wang Wengang (resigned on 18 July 2019)	–	2,630	97	2,727
Wang Yaxu	–	15,520	145	15,665
Di Jingmin (appointed on 18 July 2019)	-	5,961	145	6,106
Non-executive directors				
Guo Lisheng	–	–	–	–
Independent non-executive directors				
Gao Zhikai	783	–	–	783
Ng Yuk Keung	783	–	–	783
Wang Wenfu	783	–	–	783
Total	2,349	40,937	550	43,836

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2019: three) are directors whose emoluments are disclosed in note 9. During the year ended 31 December 2020, the emoluments in respect of the other three individuals (2019: two) were as follow:

	2020	2019
	$'000	$'000
Salaries and other emoluments	**8,840**	7,991
Discretionary bonuses	**111,733**	11,200
Share-based payments	**3,879**	–
Retirement scheme contributions	**167**	223
	124,619	19,414

During the year ended 31 December 2020, the emoluments of the three individuals (2019: two) with the highest emoluments were within the following bands:

	2020	2019
	Number of individuals	Number of individuals
$5,000,001 to $5,500,000	**–**	1
$11,500,001 to $12,000,000	**1**	–
$14,000,001 to $14,500,000	**–**	1
$16,000,001 to $16,500,000	**1**	–
$96,000,001 to $96,500,000	**1**	–

11 OTHER COMPREHENSIVE INCOME

Other comprehensive income does not have any tax effect for the year ended 31 December 2020 (2019: $nil).

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of $462,364,000 (2019: $312,404,000) and the weighted average number of ordinary shares of 3,039,356,000 ordinary shares (2019: 3,047,048,000 shares) in issue during the year ended 31 December 2020, calculated as follows:

Weighted average number of ordinary shares (basic):

	2020	2019
	'000	'000
Issued ordinary shares at 1 January	**3,046,563**	3,066,723
Effect of purchase of own shares (note 32(c))	**(11,923)**	(20,703)
Effect of purchase of shares held by the employee share trusts*	**4,716**	1,028
Weighted average number of ordinary shares (basic) as at 31 December	**3,039,356**	3,047,048

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

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

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

	2020	2019
	$'000	$'000
Profit attributable to ordinary equity shareholders	**462,364**	312,404
Effect of potential ordinary shares		
– convertible bonds	**–**	22,442
Profit attributable to ordinary equity shareholders (diluted)	**462,364**	334,846

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

	2020	2019
	'000	'000
Weighted average number of ordinary shares at 31 December	**3,039,356**	3,047,048
Effect of potential ordinary shares		
– convertible bonds	**–**	420,051
Weighted average number of ordinary shares (diluted) as at 31 December	**3,039,356**	3,467,099

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Reconciliation of carrying amount

	Land and buildings $'000	Plant and machinery $'000	Railway special assets $'000	Motor vehicles $'000	Office and other equipment $'000	Total $'000
Cost:						
At 1 January 2019	914,133	371,278	288,502	143,853	115,920	1,833,686
Additions	70,414	11,608	11,707	108,153	14,817	216,699
Transferred from construction in progress (note 14)	84,631	5,194	–	54	5,991	95,870
Disposals	(25,980)	(34,121)	–	(24,867)	(29,698)	(114,666)
Exchange adjustments	(18,486)	(6,077)	(6,442)	(2,183)	(1,282)	(34,470)
At 31 December 2019 and 1 January 2020	1,024,712	347,882	293,767	225,010	105,748	1,997,119
Additions	41,593	16,063	–	58,904	7,338	123,898
Transferred from construction in progress (note 14)	32,363	1,948	–	–	25,277	59,588
Disposals	–	(1,935)	–	(8,121)	(4,255)	(14,311)
Exchange adjustments	64,421	18,507	18,135	5,525	5,322	111,910
At 31 December 2020	1,163,089	382,465	311,902	281,318	139,430	2,278,204
Accumulated depreciation and impairment losses:						
At 1 January 2019	638,987	300,123	278,619	86,771	74,722	1,379,222
Charge for the year	22,222	9,715	71	14,456	12,441	58,905
Reversal of impairment loss (note)	(11,907)	(3,893)	–	–	–	(15,800)
Written back on disposal	(17,080)	(13,263)	–	(17,321)	(9,670)	(57,334)
Exchange adjustments	(12,775)	(4,804)	(5,987)	(935)	(1,055)	(25,556)
At 31 December 2019 and 1 January 2020	619,447	287,878	272,703	82,971	76,438	1,339,437
Charge for the year	23,403	8,871	156	20,309	15,235	67,974
Written back on disposal	–	(1,554)	–	(5,651)	(3,844)	(11,049)
Exchange adjustments	42,033	13,022	17,225	3,190	3,383	78,853
At 31 December 2020	684,883	308,217	290,084	100,819	91,212	1,475,215
Net book value:						
At 31 December 2020	478,206	74,248	21,818	180,499	48,218	802,989
At 31 December 2019	405,265	60,004	21,064	142,039	29,310	657,682

Note: At 31 December 2020, property, plant and equipment of the Group of $63,670,000 (31 December 2019: $90,150,000) together with land use rights of $162,501,000 (31 December 2019: $55,538,000) and restricted bank deposits of $30,745,000 (31 December 2019: $48,001,000) have been pledged as collateral for the Group's borrowings (see note 25), bills payable (see note 28) and lease liabilities (see note 30).

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(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

(a) Reconciliation of carrying amount (continued)

Reversal of impairment loss

The Group recorded significant impairment losses before 2015 in respect of coal processing factories and logistic facilities due to the unfavourable future prospects of the coking coal business and production suspension or low utilisation of the coal processing factories and logistic facilities.

As at 31 December 2019, due to recovery of the utilisation of certain of the Group's coal processing factories and logistic facilities, an impairment loss of $15,800,000 was reversed for the property, plant and equipment, which was close to their estimated recoverable amounts based on value-in-use calculations. These calculations used cash flow projections based on financial forecasts prepared by management covering a fifteen-year period. The cash flows were discounted using a pre-tax discount rate of 12.00%. The discount rate used are pre-tax and reflected specific risks relating to the relevant segments.

(b) The analysis of net book value of properties

	2020 **$'000**	2019 $'000
The PRC (including Hong Kong and Macau)	**370,576**	328,589
Other countries	**107,630**	76,676
Aggregate net book value	**478,206**	405,265

As at 31 December 2020, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to $2,518,000 (2019: $8,027,000). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use of the above mentioned buildings.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CONSTRUCTION IN PROGRESS

	2020	2019
	$'000	$'000
At 1 January	**81,624**	69,486
Additions	**435,201**	108,357
Transferred to property, plant and equipment (note 13)	**(59,588)**	(95,870)
Disposals	**(23,450)**	–
Exchange adjustments	**7,910**	(349)
At 31 December	**441,697**	81,624

15 RIGHT-OF-USE ASSETS

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

	2020	2019
	$'000	$'000
Lease prepayments (note i)	**547,122**	509,889
Offices leased for own use (note ii)	**28,591**	9,851
Motor vehicles, machinery and other equipment, carried at depreciated cost (note ii)	**338,749**	218,274
	914,462	738,014

Notes:

(i) Lease prepayments represent the payments for land use rights paid to the PRC authorities. The Group's land use rights were amortised on a straight-line basis over the lease periods of 50 years.

At 31 December 2020, land use rights of the Group of $162,501,000 (31 December 2019: $55,538,000) together with property, plant and equipment of $63,670,000 (31 December 2019: $90,150,000) and restricted bank deposits of $30,745,000 (31 December 2019: $48,001,000) have been pledged as collateral for the Group's borrowings (see note 25), bills payable (see note 28) and lease liabilities (see note 30).

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

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(Expressed in Hong Kong dollars unless otherwise indicated)

15 RIGHT-OF-USE ASSETS (CONTINUED)

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

	2020	2019
	$'000	$'000
Depreciation charge of right-of-use assets	**67,382**	42,715
Interest on lease liabilities (note 7(a))	**12,627**	7,362
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December	**2,417**	2,657
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**356**	103

During the year ended 31 December 2020, additions to right-of-use assets were $197,872,000. This amount included the addition of motor vehicles, machinery and other equipment with the amount of $186,946,000 and lease prepayments with the amount of $10,926,000.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 24(c), 30 and 35 respectively.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTANGIBLE ASSETS

	Exclusive service agreement $'000	Software $'000	Total $'000
Cost:			
At 1 January 2019	105,614	20,740	126,354
Additions	–	1,286	1,286
Exchange adjustments	(595)	(477)	(1,072)
At 31 December 2019	105,019	21,549	126,568
Additions	–	2,512	2,512
Exchange adjustments	(470)	1,318	848
At 31 December 2020	104,549	25,379	129,928
Accumulated amortization and impairment losses:			
At 1 January 2019	10,562	5,480	16,042
Charge for the year	5,282	1,997	7,279
Exchange adjustments	(91)	(156)	(247)
At 31 December 2019	15,753	7,321	23,074
Charge for the year	4,891	2,055	6,946
Impairment loss	11,241	–	11,241
Exchange adjustments	(75)	556	481
At 31 December 2020	31,810	9,932	41,742
Net book value:			
At 31 December 2020	72,739	15,447	88,186
At 31 December 2019	89,266	14,228	103,494

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16 INTANGIBLE ASSETS (CONTINUED)

The exclusive service agreement ("**ESA**") represents an agreement entered by the Company and Minghua Energy Group Co., Ltd. ("**Minghua Group**") on 18 January 2017, under which Minghua Group shall provide to the Company and its subsidiaries logistics services on an exclusive basis, including but not limited to, dispatching of coal products, weighing, loading and unloading of transport vehicles, setting the stack and loading containers. The term of the ESA is 20 years which commenced from 1 January 2017.

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

Impairment loss

As at 31 December 2020, An impairment loss of $11,241,000 for intangible assets in respect of the Group's exclusive service agreement has been charged to the consolidated statement of profit or loss for the current year due to low dispatching volume of coal products. The impairment loss was provided based on value in use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a five-year period. The cash flows are discounted using a discount rate of 13.00%. The discount rate used reflects specific risks relating to the relevant segments.

Notes to the financial statements

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17 INTERESTS IN SUBSIDIARIES

The following list contains only the particulars of major subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
E-Commodities (HK) Holdings Limited ("**E-Commodities (HK)**")	23 October 2009 Hong Kong	31,312,613 shares	100%	–	Trading of commodities
E-Commodities Holdings Private Limited ("**E-Commodities Singapore**")	31 December 2009 The Republic of Singapore ("**Singapore**")	Singapore dollars ("**SGD**") 1,000,000 US$10,000,000	100%	–	Trading of commodities
E-Commodities (Beijing) Supply Chain Management Co., Ltd. ("**E-Commodities Beijing**")*	6 November 1995 PRC	US$276,500,000	–	100%	Investment holding
Urad Zhongqi Yiteng Mining Co., Ltd. ("**Yiteng**")**	7 September 2005 PRC	RMB320,000,000	–	100%	Supply chain trading of coal & logistics service
Urad Zhongqi Haotong Clean Energy Co., Ltd. ("**Zhongqi Haotong**")	22 January 2020 PRC	RMB320,000,000	–	100%	Processing of coal
Inner Mongolia Haotong Energy Joint Stock Co., Ltd. ("**Inner Mongolia Haotong**")***	18 November 2005 PRC	RMB750,000,000	–	100%	Supply chain trading of coal
Erlianhaote Haotong Energy Co., Ltd. ("**Erlianhaote Haotong**")***	18 January 2007 PRC	RMB95,370,000	–	95%	Logistics service
Ejina Qi Haotong Energy Co., Ltd. ("**Ejinaqi Haotong**")**	19 May 2008 PRC	RMB260,000,000	–	100%	Supply chain trading of coal
Baotou-city Haotong Energy Co., Ltd. ("**Baotou Haotong**")**	18 September 2008 PRC	RMB90,000,000	–	100%	Supply chain trading of coal
Nantong Haotong Energy Co., Ltd. ("**Nantong Haotong**")**	24 February 2009 PRC	RMB6,904,900	–	100%	Trading of commodities

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

17 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yingkou Haotong Mining Co., Ltd. ("**Yingkou Haotong**")**	16 November 2009 PRC	RMB175,000,000	–	100%	Processing of coal and trading of commodities
Shanghai Xingguo International Trade Co.,Ltd. ("**Xingguo**")**	9 May 2014 PRC	RMB10,110,000	–	90%	Trading of commodities
Manzhouli Haotong Energy Co., Ltd. ("**Manzhouli Haotong**")***	23 December 2009 PRC	RMB200,000,000	–	100%	Trading of commodities
Ulanqab Haotong Energy Co., Ltd. ("**Ulanqab Haotong**")**	2 March 2010 PRC	RMB240,000,000	–	100%	Processing of coal
Longkou Winsway Energy Co., Ltd. ("**Longkou Winsway**")***	27 April 2010 PRC	RMB180,000,000	–	100%	Processing of coal and trading of commodities
Ejina Qi Ruyi Winsway Energy Co., Ltd. ("**Ejina Qi Winsway**")**	30 June 2010 PRC	RMB50,000,000	–	80.4%	Logistics service
Inner Mongolia Hutie Winsway Logistics Co., Ltd. ("**Inner Mongolia Hutie Winsway Logistics**")**	22 July 2010 PRC	RMB113,500,000	–	87.05%	Logistics service
Nantong E-commodities Supply Chain Management Co., Ltd. ("**Nantong Winsway**")**	2 April 2013 PRC	RMB50,000,000	–	100%	Supply chain trading of commodities
Beijng E-Link Tecnology Co,. Ltd. ("**Beijing E-Link**")**	26 March 2014 PRC	RMB21,880,000	–	100%	Supply chain technology service
Urad Zhongqi Tengshengda Energy Co., Ltd. ("**Tengshengda**")**	17 June 2014 PRC	RMB65,000,000	–	100%	Supply chain trading of coal

* Wholly foreign owned enterprises established under the PRC law.

** Limited liability companies established under the PRC law.

*** Sino-foreign equity joint ventures established under the PRC law.

\# A Sino-foreign cooperative joint venture established under the PRC law.

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18 INTEREST IN ASSOCIATES

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

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Xianghui Energy (Xiamen) Co., Ltd. ("**Xianghui Energy**")	Incorporated	PRC	RMB2,000,000,000	49%	–	49%	Coal trading in the PRC
Shanghai Maili Marine Technology Co., Ltd.	Incorporated	PRC	RMB5,526,000	20%	–	20%	Rendering of big data services on shipping routes
TerraSmart Limited	Incorporated	HK	USD200,000	20%	–	20%	Selling chemical additives
Xianghui Energy (Singapore) Pte. Ltd.	Incorporated	Singapore	SGD4,900	49%	–	49%	Coal trading overseas

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

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

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INTEREST IN ASSOCIATES (CONTINUED)

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

	2020 **$'000**	2019 $'000
Gross amounts of the associate		
Current assets	**3,553,921**	2,915,882
Non-current assets	**5,956**	2,584
Current liabilities	**(1,016,267)**	(662,629)
Non-current liabilities	**(3)**	(1,239)
Equity	**(2,543,607)**	(2,254,598)
Revenue	**4,903,098**	1,089,866
Profit for the year	**156,136**	22,410
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**2,543,607**	2,254,598
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**1,246,367**	1,104,753
Carrying amount in the consolidated financial statements	**1,246,367**	1,104,753

Aggregate information of associate that is not individually material:

	2020 **$'000**	2019 $'000
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	**13,334**	11,254
Aggregate amounts of the Group's share of the associate's		
(Loss)/profit from continuing operations	**(219)**	135
Total comprehensive income	**(219)**	135

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19 INTEREST IN JOINT VENTURES

During the year ended 31 December 2020, the Group has invested 44% equity interest in a third party company namely Minmetals E-Commerce Co., Ltd., of which principal is a steel products-focused, Business-to-Business e-commerce platform for industrial commodities., for a consideration of RMB19,360,000 (equivalent to approximately $23,004,000).

During the year ended 31 December 2019, the Group invested 50% equity interest in a third party company namely Bayannao'er Jiayi International Logistics Co., Ltd., of which principal activity is the provision of logistics services in the PRC, for a consideration of RMB15,000,000 (equivalent to approximately $16,745,000).

Aggregate information of the joint ventures that was not individually material:

	2020	2019
	$'000	$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**30,458**	16,656
Aggregate amounts of the Group's share of the joint ventures'		
Loss from continuing operations	**(10,800)**	(90)
Post-tax loss from discontinued operations	**(10,800)**	(90)

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

20 OTHER INVESTMENTS IN EQUITY SECURITIES

	31 December 2020 $'000	31 December 2019 $'000
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	**106,164**	103,355

Other investments in equity securities represent the Group's equity interests in third party companies engaged in coal mining, railway logistics, ports management and coal storage business. As at 31 December 2020, the Group holds equity interests in a range of 1-15% in these companies.

The Group designated its investment in those third party companies at FVOCI (non-recycling), as these investments are held for strategic purposes. Changes during the current period represented fair value adjustments on these equity securities based on adjusted net asset method.

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21 INVENTORIES

(a) Inventories in the statement of financial position comprise:

	2020	2019
	$'000	$'000
Coal	**659,597**	1,366,021
Others	**21,936**	21,393
	681,533	1,387,414

At 31 December 2020, inventories of the Group of $53,115,000 (31 December 2019: $88,012,000) have been pledged as collateral for the Group's borrowings (see note 25).

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020	2019
	$'000	$'000
Carrying amount of inventories sold	**19,790,403**	28,700,363
Written down of inventories	**65,741**	–
	19,856,144	28,700,363

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22 TRADE AND OTHER RECEIVABLES

	31 December 2020 $'000	31 December 2019 $'000
Trade debtors and bills receivable, net of loss allowance	**1,176,676**	2,332,587
Other debtors (note i)	**390,632**	80,012
Financial assets measured at amortised cost	**1,567,308**	2,412,599
Deposits and prepayments	**910,814**	915,701
Other tax recoverable	**150,063**	96,898
Derivative financial instruments (note ii)	**56,353**	33,743
	2,684,538	3,458,941

Notes:

(i) Among the other debtors, $341,269,000 (2019: nil) represented receivables due from Xianghui Energy arisen from procurement of coals as an agent of Xianghui Energy.

(ii) As at 31 December 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.

At 31 December 2020, bills receivable of the Group of $162,879,000 (31 December 2019: $178,578,000) have been pledged as collateral for the Group's borrowings (see note 25).

At 31 December 2020, bills receivable of the Group of $376,863,000 (31 December 2019: $1,869,073,000) have been discounted to banks.

At 31 December 2020, bills receivable of the Group of $319,906,000 (31 December 2019: $107,288,000) together with restricted bank deposits of $688,345,000 (31 December 2019: $520,010,000) and trade receivables of $nil (31 December 2019: $37,362,000) have been pledged as collateral for bills payable (see note 28).

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22 TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	2020	2019
	$'000	$'000
Within 3 months	**918,258**	1,772,853
3 to 6 months	**247,661**	523,523
6 to 12 months	**10,757**	36,211
	1,176,676	2,332,587

The credit terms for trade debtors are generally within 90 days.

23 RESTRICTED BANK DEPOSITS

The Group has pledged bank deposits of $834,128,000 (2019: $796,246,000) as at 31 December 2020, as collateral for the Group's borrowings (see note 25) and banking facilities in respect of issuing bills and letters of credit by the Group (see note 28).

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2020	2019
	$'000	$'000
Cash at bank and in hand	**721,819**	702,915

At 31 December 2020, cash and cash equivalents of $548,461,000 (2019: $569,192,000) were held by the Company's subsidiaries located in the PRC in the form of RMB. 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.

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24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Secured bank loans $'000 (Note 25)	Convertible bonds payables $'000 (Note 26)	Other interest-bearing borrowings $'000 (Note 29)	Lease liabilities $'000 (Note 30)	Total $'000
At 1 January 2020	2,887,531	237,502	605,788	194,436	3,925,257
Changes from financing cash flows:					
Proceeds from bank loans	13,281,297	–	–	–	13,281,297
Repayment of bank loans	(15,286,625)	–	–	–	(15,286,625)
Proceeds from interest-bearing borrowings from a associate	–	–	119,598	–	119,598
Repayment of interest-bearing borrowings from an associate	–	–	(55,140)	–	(55,140)
Capital element of finance leases rentals paid	–	–	–	(92,942)	(92,942)
Interest element of finance leases rentals paid	–	–	–	(12,897)	(12,897)
Interest element of convertible bonds paid	–	(10,668)	–	–	(10,668)
Redemption	–	(276,191)	–	–	(276,191)
Total changes from financing cash flows	(2,005,328)	(286,859)	64,458	(105,839)	(2,333,568)
Exchange adjustments	120,063	4,066	42,622	14,237	180,988
Changes in fair value	–	(23,391)	–	–	(23,391)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	186,946	186,946
Interest expenses (note 7(a))	–	68,682	–	12,627	81,309
Total other changes	–	68,682	–	199,573	268,255
At 31 December 2020	1,002,266	–	712,868	302,407	2,017,541

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24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued):

	Secured bank loans $'000 (Note 25)	Convertible bonds payables $'000 (Note 26)	Other interest-bearing borrowings $'000 (Note 29)	Lease liabilities $'000 (Note 30)	Total $'000
At 1 January 2019	2,431,818	316,580	–	54,742	2,803,140
Changes from financing cash flows:					
Proceeds from bank loans	18,353,434	–	–	–	18,353,434
Repayment of bank loans	(17,853,825)	–	–	–	(17,853,825)
Proceeds from interest-bearing borrowings from an associate	–	–	605,788	–	605,788
Capital element of finance leases rentals paid	–	–	–	(47,106)	(47,106)
Interest element of finance leases rentals paid	–	–	–	(7,542)	(7,542)
Interest element of convertible bonds paid	–	(15,668)	–	–	(15,668)
Redemption	–	(84,465)	–	–	(84,465)
Total changes from financing cash flows	499,609	(100,133)	605,788	(54,648)	950,616
Exchange adjustments	(43,896)	(1,201)	–	(7,363)	(52,460)
Changes in fair value	–	(22,370)	–	–	(22,370)
Other changes:					
Increase in lease liabilities from entering into new leases during the period	–	–	–	194,343	194,343
Interest expenses (note 7(a))	–	44,626	–	7,362	51,988
Total other changes	–	44,626	–	201,705	246,331
At 31 December 2019	2,887,531	237,502	605,788	194,436	3,925,257

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24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2020 **$'000**	2019 $'000
Within operating cash flows	**2,773**	2,760
Within financing cash flows	**105,839**	54,648
	108,612	57,408

These amounts relate to the following:

	2020 **$'000**	2019 $'000
Lease rentals paid	**108,612**	57,408

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25 SECURED BANK LOANS

(a) The secured bank loans comprise:

	2020 **$'000**	2019 $'000
Bank loans	**1,002,266**	2,887,531

	2020 **$'000**	2019 $'000
Short-term loans and current portion of long-term loans	**920,280**	2,887,531
Long-term loans	**81,986**	–
	1,002,266	2,887,531

The interest rates per annum of bank loans were:

	2020	2019
Short-term loans and current portion of long-term loans	**0.77%-11.35%**	2.00%-10.45%
Long-term loans	**11.35%**	Not applicable

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25 SECURED BANK LOANS (CONTINUED)

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

	2020 **$'000**	2019 $'000
Within 1 year	**920,280**	2,887,531
After 1 year but within 2 years	**81,986**	–
	1,002,266	2,887,531

At 31 December 2020, bank loans amounting to $287,556,000 (31 December 2019: $399,243,000) have been secured by bills receivable with an aggregate carrying value of $162,879,000 (31 December 2019: $178,578,000) and bank deposits with an aggregate carrying value of $115,038,000 (31 December 2019: $228,235,000).

At 31 December 2020, bank loans amounting to $376,863,000 (31 December 2019: $1,869,073,000) have been secured by discounted bills receivable with recourse an aggregate carrying value of $376,863,000 (31 December 2019: $1,869,073,000).

At 31 December 2020, bank loans amounting to $150,489,000 (31 December 2019: $254,516,000) have been secured by credit guarantee with an aggregate amount of $150,489,000 (31 December 2019: $254,516,000) provided by subsidiaries of the Group.

At 31 December 2020, bank loans amounting to $56,656,000 (31 December 2019: $87,363,000) have been secured by inventories with an aggregate carrying value of $53,115,000 (31 December 2019: $88,012,000).

At 31 December 2020, bank loans amounting to $130,702,000 (31 December 2019: $277,336,000) together with bills payable amounting to $61,490,000 (31 December 2019: $151,918,000) (see note 28) have been secured by restricted bank deposits with an aggregate carrying value of $30,745,000 (31 December 2019: $48,001,000), property, plant and equipment with an aggregate carrying value of $10,169,000 (31 December 2019: $90,150,000), land use rights with an aggregate carrying value of $137,167,000 (31 December 2019: $55,538,000).

Further details of the Group's management of liquidity risk are set out in note 33(b).

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

26 CONVERTIBLE BONDS PAYABLES

	Liability component $'000	**Derivatives component** $'000	**Warrants** $'000	**Total** $'000
At 1 January 2019	254,424	61,920	236	316,580
Interest charged during the year (note 7(a))	44,626	–	–	44,626
Redemption	(68,070)	(16,395)	–	(84,465)
Repayment of interest	(15,668)	–	–	(15,668)
Fair value adjustment (note 7(a))	–	(22,184)	(186)	(22,370)
Exchange adjustment	(1,201)	–	–	(1,201)
At 31 December 2019	214,111	23,341	50	237,502
At 1 January 2020	214,111	23,341	50	237,502
Interest charged during the year (note 7(a))	68,682	–	–	68,682
Repayment of interest	(10,668)	–	–	(10,668)
Fair value adjustment (note 7(a))	–	(23,341)	(50)	(23,391)
Exchange adjustment	4,066	–	–	4,066
Redemption	(276,191)	–	–	(276,191)
At 31 December 2020	–	–	–	–

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 HK$0.604 per share.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

26 CONVERTIBLE BONDS PAYABLES (CONTINUED)

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 is calculated using the effective interest method by applying the effective interest rate of 19.64% per annum.

On 14 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 ("**Non-put Fee**") to the convertible bondholder for not to excise 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 14 August 2020, the Company early redeemed all the remaining outstanding principal amount of the convertible bonds under a mutual and irrevocable agreement with the Subscriber, resulting in interest expenses of $43,820,000 being recognised in profit or loss during the year ended 31 December 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. In addition, interest expenses of $24,862,000 (2019: $44,626,000) calculated using the effective interest method have been recognised in profit or loss during the year ended 31 December 2020.

27 DEFERRED INCOME

Deferred income represents the unrecognised government grants relating to compensating the Group for the cost of assets.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 TRADE AND OTHER PAYABLES

	31 December 2020 $'000	31 December 2019 $'000
Trade and bills payables	**1,741,173**	1,408,354
Prepayments from customers	**191,465**	271,579
Payables in connection with construction projects	**69,684**	55,688
Payables for purchase of equipment and motor vehicles	**204,998**	28,025
Payables for staff related costs (note i)	**215,982**	82,598
Payables for other taxes	**31,674**	53,552
Derivative financial instruments (note ii)	**13,474**	15,851
Others	**158,717**	142,905
	2,627,167	2,058,552

(i) Included bonus payable to senior management amounting to approximately $99,882,000 (2019: $23,654,000).

(ii) Derivative financial instruments represent fair value of foreign exchange forward contracts as at 31 December 2020 and 31 December 2019.

At 31 December 2020, bills payable amounting to $975,511,000 (31 December 2019: $681,237,000) have been secured by restricted bank deposits with an aggregate carrying value of $688,345,000 (31 December 2019: $520,010,000), bills receivable with an aggregate carrying value of $319,906,000 (31 December 2019: $107,288,000) and trade receivables with an aggregate carrying value of $nil (31 December 2019: $37,362,000).

At 31 December 2020, bills payable amounting to $61,490,000 (31 December 2019: $151,918,000) together with bank loans amounting to $130,702,000 (31 December 2019: $277,336,000) (see note 25) have been secured by restricted bank deposits with an aggregate carrying value of $30,745,000 (31 December 2019: $48,001,000), property, plant and equipment with an aggregate carrying value of $10,169,000 (31 December 2019: $90,150,000), land use rights with an aggregate carrying value of $137,167,000 (31 December 2019: $55,538,000).

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2020	2019
	$'000	$'000
Within 3 months	**1,151,011**	911,704
More than 3 months but less than 6 months	**91,620**	182,560
More than 6 months but less than 1 year	**492,443**	308,460
More than 1 year	**6,099**	5,630
	1,741,173	1,408,354

29 OTHER INTEREST-BEARING BORROWINGS

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

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

	2020 **$'000**	2019 $'000
Within 1 year	**135,538**	78,160
After 1 year but within 2 years	**118,406**	68,533
After 2 years but within 5 years	**48,463**	47,743
	166,869	116,276
	302,407	194,436

At 31 December 2020, lease liabilities amounting to $36,458,000 (31 December 2019: $nil) have been secured by property, plant and equipment with an aggregate carrying value of $53,501,000 (31 December 2019: $nil), land use rights with an aggregate carrying value of $25,334,000 (31 December 2019: $nil).

31 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	2020 **$'000**	2019 $'000
At 1 January	**72,088**	99,917
Provision for the year (note 8(a))	**97,355**	65,750
Under/(over)-provision in respect of prior years (note 8(a))	**3,833**	(39,064)
Income tax paid	**(94,120)**	(47,899)
Exchange adjustments	**7,798**	(6,616)
At 31 December	**86,954**	72,088

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(Expressed in Hong Kong dollars unless otherwise indicated)

31 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	Deferred tax assets in respect of cumulative tax losses	Unrealised profits arising from intra-group transactions	Credit loss allowance	Gains from changes in fair value	Written-down of inventories	Share of profits of associates	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2019	–	–	–	–	–	–	–	–
Charged/(credited) to profit or loss	8,228	3,827	2,797	(321)	–	–	–	14,531
At 31 December 2019 and 1 January 2020	8,228	3,827	2,797	(321)	–	–	–	14,531
(Credited)/charged to profit or loss	(6,121)	9,023	5,785	(594)	12,818	(19,127)	(274)	1,510
At 31 December 2020	2,107	12,850	8,582	(915)	12,818	(19,127)	(274)	16,041

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

31 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (continued)

Reconciliation to the consolidated statement of financial position

	2020 **$'000**	2019 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	**36,523**	14,531
Net deferred tax liability recognised in the consolidated statement of financial position	**(20,482)**	–
At 31 December	**16,041**	14,531

(c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of deductible temporary differences and tax losses incurred by the subsidiaries of the Group of $1,078,967,000 and $492,544,000, respectively (2019: $1,066,955,000 and $474,156,000 respectively) as management of the Group considers that it is not possible as at 31 December 2020 to estimate, with any degree of certainty, the future taxable profits which may be earned by these subsidiaries. In particular, in accordance with the Group's accounting policy set out in note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses at 31 December 2020 as the management considers it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses in the PRC established entities of approximately $9,362,000, $63,375,000, $70,257,000, $120,857,000 and $228,693,000 will expire in five years after the tax losses generated under current tax legislation in 2021, 2022, 2023, 2024 and 2025, respectively.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital $'000	Employee share trusts $'000	Other reserve $'000	Exchange reserve $'000	Accumulated loss $'000	Treasury shares $'000	Total $'000
Balance at 1 January 2020	**5,789,362**	**(16,555)**	**(3,496)**	**(9,310)**	**(4,794,253)**	**(1,878)**	**963,870**
Changes in equity for 2020:							
Purchase of own shares (note 32(c))	**(4,689)**	**–**	**–**	**–**	**–**	**1,878**	**(2,811)**
Contribution to employee share trusts	**–**	**(5,063)**	**–**	**–**	**–**	**–**	**(5,063)**
Grant of restricted share units to employees	**–**	**14,943**	**(4,966)**	**–**	**–**	**–**	**9,977**
Total comprehensive income for the year	**–**	**–**	**–**	**(22,436)**	**(124,533)**	**–**	**(146,969)**
Balance at 31 December 2020	**5,784,673**	**(6,675)**	**(8,462)**	**(31,746)**	**(4,918,786)**	**–**	**819,004**

	Share capital $'000	Employee share trusts $'000	Other reserve $'000	Exchange reserve $'000	Accumulated loss $'000	Treasury shares $'000	Total $'000
Balance at 1 January 2019	5,797,302	(17,722)	306	20,408	(4,418,177)	–	1,382,117
Changes in equity for 2019:							
Purchase of own shares (note 32(c))	(7,940)	–	–	–	–	(1,878)	(9,818)
Contribution to employee share trusts	–	(24,874)	–	–	–	–	(24,874)
Grant of restricted share units to employees	–	24,468	(3,802)	–	–	–	20,666
Total comprehensive income for the year	–	–	–	(29,718)	(156,518)	–	(186,236)
Dividends declared (note 32(b)(i))	–	1,573	–	–	(219,558)	–	(217,985)
Balance at 31 December 2019	5,789,362	(16,555)	(3,496)	(9,310)	(4,794,253)	(1,878)	963,870

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2020 $'000	2019 $'000
Final dividend in respect of the previous financial year, approved and paid during the year of nil per ordinary share (2019: $0.072)	–	219,558

(c) Share capital

	2020 No. of shares '000	2019 No of shares '000
Authorised:		
Ordinary shares with no par value	6,000,000	6,000,000

	2020		2019	
	No. of shares '000	$'000	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
Cancellation of repurchased shares (note i)	(19,680)	(4,689)	(20,160)	(7,940)
At 31 December	3,026,883	5,784,673	3,046,563	5,789,362

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

Notes:

(i) Purchase of own shares

During the year ended 31 December 2020, the Company cancelled in aggregate of 19,680,000 of its own shares which were purchased from the open market.

(ii) Employee share trusts

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

Employee share trusts are established for the purposes of awarding shares to eligible persons (including a director, officer and full-time employee of the Company or its subsidiaries, and advisors and agents who provide value-added services to the Company or its subsidiaries) under the RSU Scheme. The employee share trusts are administered by trustees and are funded by the Group's cash contributions for buying the Company's shares in the open market and recorded as contributions to employee share trusts, an equity component.

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

During the year ended 31 December 2020, the Company granted certain RSU Awards in respect of an aggregate of 46,542,693 ordinary shares (2019: 52,483,812 ordinary shares) of the Company to certain grantees pursuant to the RSU Scheme. The ordinary shares of the Company underlying the grant of RSU Awards were settled by existing ordinary shares of the Company held by the employee share trusts.

The fair value of the granted ordinary shares was $9,977,000 (2019: $20,666,000) based on the quoted price of the Company's shares on the grant date, of which $14,943,000 (2019: $24,468,000) was credited to the employee share trusts based on the weighted average cost of the granted ordinary shares, and the balance of $4,966,000 (2019: $3,802,000) was debited to the other reserve in accordance with the policy set out in note 2(s)(ii).

In addition, the Company has repurchased on-market in aggregate 23,772,000 of its own shares (2019: 64,524,000 shares) at a cash consideration of $5,063,000 (2019: $24,874,000) under the RSU Scheme during the year ended 31 December 2020.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Other reserve

The other reserve comprises the following:

– the aggregate amount of paid-in capital or share capital of the companies now comprising the Group after elimination of the investments in subsidiaries and the changes in equity arisen from the acquisition of non-controlling interests.

– the net loss on purchase of non-controlling interest in a subsidiary; and

– the fair value of unexercised share options granted to employees of the Company at the grant date that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(s)(ii).

(ii) Statutory reserve

Pursuant to the Articles of Association of the companies comprising the Group in the PRC, appropriations to the statutory reserve were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the respective companies comprising the Group. During the year ended 31 December 2020, amounts in retained earnings of $16,766,000 (2019: $22,961,000) were transferred from retained earnings to the statutory reserve.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which are dealt with in accordance with the accounting policies as set out in note 2(w).

(iv) Treasury shares

During the year ended 31 December 2020, the Company has repurchased on-market own shares in aggregate of 19,680,000 shares (2019: 25,524,000 shares) at a cash consideration of $4,689,000 (2019: $9,818,000).

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see note 2(g)).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes secured bank loans, other interest-bearing borrowings, lease liabilities and convertible bonds payables) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2020 and 2019 was as follows:

	Note	**31 December 2020 $'000**	31 December 2019 $'000
Current liabilities:			
– Secured bank loans	25	**920,280**	2,887,531
– Convertible bonds payables	26	**–**	214,111
– Lease liabilities	30	**135,538**	78,160
– Other interest-bearing borrowings		**712,868**	605,788
		1,768,686	3,785,590
Non-current liabilities:			
– Secured bank loans	25	**81,986**	–
– Lease liabilities	30	**166,869**	116,276
Total debt		**2,017,541**	3,901,866
Less: Cash and cash equivalents	24	**(721,819)**	(702,915)
Adjusted net debt		**1,295,722**	3,198,951
Total equity		**3,810,613**	3,141,734
Adjusted capital		**3,810,613**	3,141,734
Adjusted net debt-to-capital ratio		**34%**	102%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the financial statements

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33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and bills receivables. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk. Management has had a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade and bills receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 0% (2019: 0%) and 51% (2019: 65%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers mainly respectively within the processing and trading of coal and other products business segment.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade and bills receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables as at 31 December 2020.

	2020		
	Expected loss rate %	**Gross carrying amount $'000**	**Loss allowance $'000**
Current (not past due)	**1.41%**	**1,193,521**	**(16,857)**
1 – 180 days past due	**56.36%**	**27**	**(15)**
More than 180 days past due	**100.00%**	**38,224**	**(38,224)**
		1,231,772	**(55,096)**

	2019		
	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000
Current (not past due)	0.04%	2,289,984	(830)
1 – 180 days past due	3.35%	44,937	(1,504)
More than 180 days past due	100.00%	1,917	(1,917)
		2,336,838	(4,251)

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade and bills receivables (continued)

Movement in the loss allowance account in respect of trade and bills receivables during the year is as follows:

	2020	2019
	$'000	$'000
Adjusted balance at 1 January	**5,277**	8,549
Provision/(reversal) of impairment loss	**50,845**	(2,279)
Written off of impairment loss	**(849)**	(966)
Exchange adjustments	**19**	(27)
Balance at 31 December	**55,292**	5,277

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it 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.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The following table shows the remaining contractual maturities at the end the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2020 Contractual undiscounted cash outflow					2019 Contractual undiscounted cash outflow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Secured bank loans	920,280	81,986	–	1,002,266	1,002,266	2,887,531	–	–	2,887,531	2,887,531
Trade and other payables (excluding prepayments from customers)	2,435,702	–	–	2,435,702	2,435,702	1,786,973	–	–	1,786,973	1,786,973
Other interest-bearing borrowings	712,868	–	–	712,868	712,868	605,788	–	–	605,788	605,788
Lease liabilities relating to leases previously classified under IAS 17 as finance leases	139,025	114,220	40,580	293,825	273,191	74,460	69,160	45,976	189,596	174,185
Other lease liabilities	11,514	10,804	9,282	31,600	29,216	13,599	4,872	3,667	22,138	20,251
Convertible bonds payables	–	–	–	–	–	255,351	–	–	255,351	214,111
	4,219,389	207,010	49,862	4,476,261	4,453,243	5,623,702	74,032	49,643	5,747,377	5,688,839

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings.

Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2020		2019	
	Interest rate		Interest rate	
	%	**$'000**	%	$'000
Fixed rate borrowings:				
Lease liabilities	**5.00%-7.30%**	**302,407**	5.22%-10.45%	194,436
Bank loans	**0.77%-11.35%**	**1,002,266**	2.00%-10.45%	2,887,531
Other interest-bearing borrowings	**4.35%**	**712,868**	4.35%	605,788
Convertible bonds	**Not applicable**	**–**	19.64%	214,111
		2,017,541		3,901,866

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to payables, cash balances and bank loans that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. The Group manages this risk as follows:

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Most of the Group's borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currency (expressed in HK$)							
	2020				2019			
	US$	**RMB**	**SGD**	**HK$**	US$	RMB	SGD	HK$
	$'000	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000
Cash and cash equivalents	**3,388**	**1,242**	**1,599**	**16,262**	3,555	2,110	1,260	11,060
Trade and other receivables	**358,098**	**211,526**	**–**	**592**	174,777	218,499	1,344	5,765
Trade and other payables	**(307,868)**	**(255,564)**	**(15,474)**	**(491)**	(414,021)	(225,215)	(3,190)	(69)
Bank loans	**–**	**–**	**–**	**–**	(94,346)	–	–	–
Net exposure arising from recognised assets and liabilities	**53,618**	**(42,796)**	**(13,875)**	**16,363**	(330,035)	(4,606)	(586)	16,756

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated loss) and other components of consolidated equity that would arise if foreign exchange rate to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2020		2019	
	Increase/ (decrease) in foreign exchange rate	**(Increase)/ decrease in loss after tax and accumulated loss $'000**	Increase/ (decrease) in foreign exchange rate	(Increase)/ decrease in loss after tax and accumulated loss $'000
US$	**5%**	**819**	5%	(12,831)
	(5)%	**(819)**	(5)%	12,831
RMB	**5%**	**(643)**	5%	(751)
	(5)%	**643**	(5)%	751
SGD	**5%**	**(575)**	5%	(24)
	(5)%	**575**	(5)%	24
HK$	**5%**	**696**	5%	823
	(5)%	**(696)**	(5)%	(823)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss/profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis (continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2019.

(e) Fair values measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

2020

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Assets:				
Derivative financial instruments:				
– Commodity futures contracts	56,353	56,353	–	–
Unlisted equity securities				
– Other investment in equity securities	106,164	–	–	106,164
Liabilities:				
Derivative financial instruments:				
– Forward foreign exchange contracts	13,474	–	13,474	–

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

2019

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Recurring fair value measurement				
Assets:				
Derivative financial instruments:				
– Commodity futures contracts	33,743	33,743	–	–
Unlisted equity securities				
– Other investment in equity securities	103,355	–	–	103,355
Liabilities:				
Derivative financial instruments:				
– Conversion option embedded in convertible bonds	23,341	–	–	23,341
– Warrants	50	–	–	50
– Forward foreign exchange contracts	15,851	–	15,851	–

During the years ended 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: $nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements

	Valuation techniques 2020 $'000	**Unobservable input 2020** $'000	**Range 2020** $'000
Unlisted equity securities	Adjusted net assets method	Marketability discount	10%

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements (continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2020 **$'000**	2019 $'000
Unlisted equity securities:		
At 1 January	**103,355**	107,565
Net unrealised gains or losses recognised in other comprehensive income during the period	**2,809**	(4,210)
At 31 December	**106,164**	103,355
Conversion option embedded in convertible bonds payables and warrants:		
At 1 January	**23,391**	62,156
Redemption	**–**	(16,395)
Changes in fair value recognised in profit or loss during the period	**(23,391)**	(22,370)
At 31 December	**–**	23,391
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**(23,391)**	(22,370)

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

The gains or losses arising from the remeasurement of the conversion option embedded in convertible bonds payables and warrants are presented in the "net finance cost" line item in the consolidated statement of profit or loss.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

34 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the year.

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9, and certain of the highest paid employees as disclosed in note 10, is as follows:

	2020	2019
	$'000	$'000
Short-term employee benefits	**130,916**	61,820

The remuneration is included in "staff costs" (see note 7(b)).

(b) Material related party transactions

During the year, the Group entered into the following material related party transactions:

	2020	2019
	$'000	$'000
Sales of products to an associate	**134,799**	918,062
Rendering of Integrated supply chain services to an associate	**874,871**	91,311
Purchase of products from an associate	**132,044**	22,100
Interest on other interest-bearing borrowings from an associate	**28,959**	1,054

The directors of the Group is of the opinion that the above related party transactions were conducted on normal commercial terms and in accordance with the agreements governing such transactions.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

34 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party balances

The outstanding balances arising from above transactions at consolidated statement of financial position are as follows:

	2020	2019
	$'000	$'000
Other interest-bearing borrowings from an associate	**712,868**	605,788
Prepayments from an associate	**15,940**	113,052
Receivables due from an associate	**358,686**	1,204
Prepayment to an associate	**–**	25,158
Payables due to an associate	**1,525**	1,034

35 COMMITMENTS

Capital commitments outstanding at 31 December 2020 not provided for in the financial statements are as follows:

	At 31 December	At 31 December
	2020	2019
	$'000	$'000
Contracted for	**288,176**	145,360

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 $'000	2019 $'000
Non-current assets			
Property, plant and equipment, net		**1,432**	497
Intangible assets		**72,739**	89,266
Interests in subsidiaries		**1,822,644**	2,143,339
Total non-current assets		**1,896,815**	2,233,102
Current assets			
Trade and other receivables		**362**	10,485
Cash and cash equivalents		**12,134**	9,908
Total current assets		**12,496**	20,393
Current liabilities			
Trade and other payables		**1,090,307**	1,052,123
Convertible bonds payables		**–**	237,502
Total current liabilities		**1,090,307**	1,289,625
Net current liabilities		**(1,077,811)**	(1,269,232)
NET ASSETS		**819,004**	963,870
CAPITAL AND RESERVES			
Share capital	32(c)	**5,784,673**	5,789,362
Reserves		**(4,965,669)**	(4,825,492)
TOTAL EQUITY		**819,004**	963,870

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

37 IMMEDIATE AND ULTIMATE CONTROLLING SHAREHOLDERS

At 31 December 2020, the directors of the Company consider the immediate parent and ultimate controlling party of the Group to be Famous Speech Limited and Ms. Wang respectively. Famous Speech Limited is incorporated in the British Virgin Islands and does not produce financial statements available for public use.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the ISAB has issued a number of amendments, and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Definitions

In this annual report, unless the context requires otherwise, the following expressions have the following meanings:

"Articles of Association" or "Articles"	the articles of association of our Company as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	our board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix 14 the Listing Rules
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and the "PRC" do not include Taiwan, the Macau Special Administrative Region and Hong Kong
"Company", "our Company", "we" or "us"	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)", a company incorporated under the laws of the BVI with limited liability on 17 September 2007 and, except where the context indicates otherwise, including our subsidiaries
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Convertible Bonds"	the 5% convertible bonds in an aggregate principal amount of US$40 million issued by the Company on 14 September 2017
"Director(s)"	the director(s) of our Company
"E-35"	Inner Mongolia E-35 Technology Co., Ltd.* (內蒙古易至科技股份有限公司), a company established under the laws of the PRC with limited liability on 4 June 2019 and our indirectly wholly-owned subsidiary
"Ejinaqi Haotong"	Ejina Qi Haotong Energy Co., Ltd.* (額濟納旗浩通能源有限公司), a company established under the laws of the PRC with limited liability on 19 May 2008 and our indirectly wholly-owned subsidiary

Definitions

"Group" or "our Group"	our Company and its subsidiaries
"Famous Speech"	Famous Speech Limited, a company incorporate under BVI laws with limited liability, the controlling shareholder of the Company which is owned as to 73.3% and 26.7% by Ms. Wang and Magnificent Gardenia, respectively
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (as amended from time to time)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by International Accounting Standards Board (the "**IASB**") and the International Accounting Standards ("**IAS**") and Standing interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect
"Inner Mongolia Haotong"	Inner Mongolia Haotong Energy Joint Stock Co., Ltd.* (內蒙古浩通能源股份有限公司), a joint stock company established under the laws of the PRC on 18 November 2005 and our indirectly wholly-owned subsidiary
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Magnificent Gardenia"	Magnificent Gardenia Limited, a company incorporated under the BVI laws with limited liability
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company as amended from time to time

Definitions

"Minmetals E-Commerce"	Minmetals E-Commerce Co., Ltd.* (五礦電子商務有限公司), a company incorporated under the laws of the PRC on 17 May 2012, which is indirectly owned as to 44% by the Company, and has been renamed to Longteng Digital Technology Co., Ltd* (龍騰數科技術有限公司) on 12 March 2021. Minmetals E-Commerce mainly engages in steel products online B2B platform
"Model Code"	Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Wang's Group"	means Mr. Wang Xingchun and his directly or indirectly wholly owned companies, Winsway Group Holdings and Winsway Resources Holdings
"Ms. Wang"	Ms. Wang Yihan (王奕涵女士), our ultimate controlling shareholder
"Restricted Share Unit Scheme" or "RSU Scheme"	the restricted share unit scheme and its amendments approved and adopted by the Shareholders at the annual general meetings held on 11 June 2012 and 27 June 2018, respectively
"RMB"	Renminbi, the lawful currecny of the PRC
"RSU Award"	a restricted share unit granted to a participant under the Restricted Share Unit Scheme
"SFO"	the Securities and futures Ordinance (Chapter 571 of the Laws of Hong Kong)(as amended from time to time)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	ordinary share(s) with no par value of the Company
"Shareholders"	holders of the Shares
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules

Definitions

"United States", "US" or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$", "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"Warrants"	118,060,606 unlisted warrants of the Company entitling the registered holders thereof to subscribe for Shares
"Winsway Group"	the group of companies established and/or incorporated by Mr. Wang Xingchun and/or his associates which is not a member of our Group
"Winsway Group Holdings"	Winsway Group Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 1 March 2001 and wholly-owned by Mr. Wang Xingchun
"Winsway Resources Holdings"	Winsway Resources Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 31 December 2009 and indirectly wholly-owned by Mr. Wang Xingchun
"Xianghui Energy"	Xianghui Energy (Xiamen) Co., Ltd.* (象暉能源(廈門)有限公司), a company incorporated under the laws of the PRC on 6 August 2019, which is indirectly owned as to 49% and 51% by the Company and Xiamen Xiangyu, respectively. Xianghui Energy mainly engages in trading of Mongolian coal in the PRC
"Xiamen Xiangyu"	Xiamen Xiangyu Joint Stock Company Limited* (廈門象嶼股份有限公司), a state-owned enterprise incorporated under the laws of the PRC on 23 May 1977, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600057.SH)

* *For identification purpose only*

Five-Year Financial Summary

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Continuing operations					
Revenue	**21,977,308**	30,051,788	32,817,456	20,877,959	13,501,746
Profit/(loss) before taxation	**552,225**	324,958	923,713	1,012,783	2,966,740
Income tax	**(99,678)**	(12,155)	(30,687)	(108,737)	(94,425)
Profit/(loss) for the year	**452,547**	312,803	893,026	904,046	2,872,315
Attributable to:					
Equity shareholders of the Company	**462,364**	312,404	879,772	904,742	2,873,605
Non-controlling interests	**(9,817)**	399	13,254	(696)	(1,290)
Profit/(loss) for the year	**452,547**	312,803	893,026	904,046	2,872,315
Total assets	**8,692,437**	9,322,561	7,790,317	6,238,606	3,603,883
Total liabilities	**4,881,824**	6,180,827	4,669,193	3,670,278	1,900,614
Non-controlling interests	**(116,140)**	(119,658)	(124,257)	(108,224)	(133,979)
Total equity attributable to equity shareholders of the Company	**3,926,753**	3,261,392	3,245,381	2,676,552	1,837,248

Company Information

BOARD MEMBERS

Executive Directors

Cao Xinyi (Chairman)
Wang Yaxu
Li Jianlou
Di Jingmin

Non-executive Director

Guo Lisheng

Independent Non-executive Directors

Ng Yuk Keung
Wang Wenfu
Gao Zhikai

AUDIT COMMITTEE

Chairman

Ng Yuk Keung

Member

Wang Wenfu
Gao Zhikai

REMUNERATION COMMITTEE

Chairman

Wang Wenfu

Member

Cao Xinyi
Ng Yuk Keung

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Chairman

Gao Zhikai

Member

Ng Yuk Keung
Cao Xinyi

HEALTH AND SAFETY AND ENVIRONMENTAL COMMITTEE

Chairman

Wang Yaxu

Member

Wang Wenfu
Gao Zhikai

Company Information

COMPANY SECRETARY

Chen Xiuzhu

CHIEF FINANCIAL OFFICER

Wang Yaxu

LEGAL COUNSEL

Reed Smith Richards Butler

AUDITORS

KPMG
Public Interest Entity Auditor
registered in accordance with the Financial Reporting Council Ordinance

REGISTERED OFFICE IN THE BVI

Nerine Trust Company (BVI) Limited,
Nerine Chambers,
PO Box 905,
Road Town, Tortola
BVI

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 706, Tower B, Tianrun Fortune Center, No. 58, Dongzongbu Hutong. Dongcheng District, Beijing, 100005 PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1902, Floor 19,
Far East Finance Centre,
16 Harcourt Road,
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

BNP Paribas
ING Bank N.V.
DBS Bank
CITIC Bank

WEBSITE

www.e-comm.com

HKEX STOCK CODE

1733