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E-COMMODITIES HOLDINGS LIMITED

易大宗控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1733)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “**Board**”) of E-Commodities Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”) together with comparative figures for the same period in 2021.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2022 was HK\$16,782 million.
- Gross profit for the six months ended 30 June 2022 was HK\$1,457 million.
- Profit for the six months ended 30 June 2022 was HK\$721 million.
- Profit attributable to equity shareholders of the Company (the “**Shareholder(s)**”) for the six months ended 30 June 2022 was HK\$703 million.
- Both basic earnings per share and diluted earnings per share for the six months ended 30 June 2022 were HK\$0.246.
- An interim dividend in cash of HK\$0.061 per share has been declared.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the six months ended 30 June 2022 – unaudited**(Expressed in Hong Kong dollars)*

		Six months ended 30 June	
	<i>Note</i>	2022	2021
		HK\$'000	HK\$'000
Revenue	4	16,782,124	12,126,781
Cost of sales		<u>(15,325,474)</u>	<u>(10,785,722)</u>
Gross profit		1,456,650	1,341,059
Other revenue		22,782	8,167
Distribution costs		(99,018)	(47,786)
Administrative expenses		(366,037)	(351,909)
Other operating (expenses)/income, net	5	(49,841)	16,773
Impairment of non-current assets	6(c)	<u>(19,200)</u>	<u>(76,256)</u>
Profit from operations		<u>945,336</u>	<u>890,048</u>
Finance income	6(a)	14,193	13,419
Finance costs	6(a)	<u>(169,105)</u>	<u>(74,768)</u>
Net finance costs		<u>(154,912)</u>	<u>(61,349)</u>
Share of profits of associates		56,824	89,422
Share of losses of joint ventures		<u>(2,169)</u>	<u>(6,838)</u>
Profit before taxation		845,079	911,283
Income tax	7	<u>(124,003)</u>	<u>(124,057)</u>
Profit for the period		<u>721,076</u>	<u>787,226</u>
Attributable to:			
Equity shareholders of the Company		703,305	777,526
Non-controlling interests		<u>17,771</u>	<u>9,700</u>
Profit for the period		<u>721,076</u>	<u>787,226</u>
Earnings per share	8		
Basic and diluted (HK\$)		<u>0.246</u>	<u>0.257</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2022 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period	721,076	787,226
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(4,886)	(2,164)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	<u>(285,362)</u>	<u>63,459</u>
Other comprehensive income for the period	<u>(290,248)</u>	<u>61,295</u>
Total comprehensive income for the period	<u>430,828</u>	<u>848,521</u>
Attributable to:		
Equity shareholders of the Company	417,376	838,054
Non-controlling interests	<u>13,452</u>	<u>10,467</u>
Total comprehensive income for the period	<u>430,828</u>	<u>848,521</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 – unaudited

(Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment, net		1,231,798	1,215,914
Right-of-use assets		693,237	759,215
Construction in progress		333,486	282,072
Intangible assets		93,115	93,003
Interests in associates	9	1,224,994	1,294,877
Interests in joint ventures		70,288	95,182
Other investments in equity securities		95,738	106,997
Deferred tax assets		132,341	78,731
Other non-current assets	10	<u>103,099</u>	<u>–</u>
Total non-current assets		<u>3,978,096</u>	<u>3,925,991</u>
Current assets			
Inventories	11	2,290,634	2,401,508
Trade and other receivables	12	5,665,638	4,863,070
Restricted bank deposits		1,035,449	998,031
Cash and cash equivalents		<u>3,291,339</u>	<u>3,259,393</u>
Total current assets		<u>12,283,060</u>	<u>11,522,002</u>
Current liabilities			
Secured bank loans	15	1,744,752	1,362,557
Trade and other payables	13	5,866,241	4,742,249
Other interest-bearing borrowings		481,571	648,289
Lease liabilities		152,687	145,485
Income tax payable		440,956	501,830
Warrants		–	62,763
Provisions	14	<u>294,270</u>	<u>292,421</u>
Total current liabilities		<u>8,980,477</u>	<u>7,755,594</u>
Net current assets		<u>3,302,583</u>	<u>3,766,408</u>
Total assets less current liabilities		<u>7,280,679</u>	<u>7,692,399</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*at 30 June 2022 – unaudited**(Expressed in Hong Kong dollars)*

		At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Non-current liabilities			
Secured bank loans	<i>15</i>	6,092	5,103
Lease liabilities		148,203	125,364
Deferred income		55,502	64,468
Deferred tax liabilities		8,030	21,186
		<hr/>	<hr/>
Total non-current liabilities		217,827	216,121
		<hr/>	<hr/>
NET ASSETS		7,062,852	7,476,278
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	<i>16(b)</i>	5,661,398	5,784,673
Reserves		1,138,945	1,442,548
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		6,800,343	7,227,221
Non-controlling interests		262,509	249,057
		<hr/>	<hr/>
TOTAL EQUITY		7,062,852	7,476,278
		<hr/>	<hr/>

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(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 BASIS OF PREPARATION

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

The financial statements has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This financial statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the IASB.

The financial information relating to the financial year ended 31 December 2021 that is included in the financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

The financial statements is 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\$.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to this financial statements for the current accounting period:

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

- Amendment to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

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.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Coal	13,066,549	9,336,743
– Oil and petrochemical products	2,148,553	1,793,729
– Rendering of integrated supply chain services	1,309,839	418,683
– Iron ore	233,535	485,438
– Coke	16,582	20,206
– Nonferrous metals	–	51,135
– Others	7,066	20,847
	<u>16,782,124</u>	<u>12,126,781</u>

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Disaggregated by geographical location of customers		
– The PRC (including Hong Kong, Macau and Taiwan)	12,105,899	10,310,708
– South Korea	1,615,422	816,228
– Netherlands	999,478	–
– Indonesia	797,403	39,346
– Malaysia	608,426	–
– India	394,378	620,821
– Brazil	252,856	–
– Turkey	–	143,403
– Vietnam	–	71,352
– Others	8,262	124,923
	<u>16,782,124</u>	<u>12,126,781</u>

For the six months ended 30 June 2022, among the Group's revenue from the trading of coal and other products, products totalling HK\$700,557,000 (six months ended 30 June 2021: HK\$323,792,000) were traded under framework contracts signed with certain third party companies pursuant to which those third party companies acted as agents of the Group to sign sale and purchase contracts with customers and suppliers whilst the Group were responsible for identifying customers and suppliers and negotiating and determining the price, quantity of the commodities and transportation and payment terms with customers and suppliers, respectively.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b).

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

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

	Processing and trading of coal and other products		Rendering of integrated supply chain services		Total	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June						
Disaggregated by timing of revenue recognition						
Point in time	15,472,285	11,708,098	1,125,187	362,715	16,597,472	12,070,813
Over time	–	–	184,652	55,968	184,652	55,968
Revenue from external customers	15,472,285	11,708,098	1,309,839	418,683	16,782,124	12,126,781
Inter-segment revenue	–	–	316,850	195,547	316,850	195,547
Reportable segment revenue	15,472,285	11,708,098	1,626,689	614,230	17,098,974	12,322,328
Reportable segment profit (adjusted EBITDA)	550,788	1,073,404	583,611	86,273	1,134,399	1,159,677
Interest income	13,209	13,291	984	128	14,193	13,419
Interest expense	(37,372)	(45,072)	(13,675)	(11,213)	(51,047)	(56,285)
Depreciation and amortisation	(36,079)	(44,694)	(86,750)	(65,739)	(122,829)	(110,433)
Impairment of non-current assets	–	(55,685)	(19,200)	(20,571)	(19,200)	(76,256)
Reversal of/(provision for) impairment losses on trade and other receivables	7,965	(788)	(344)	432	7,621	(356)
Additions to non-current segment assets during the period	21,005	50,926	242,649	274,906	263,654	325,832
As at 30 June/31 December						
Reportable segment assets	14,952,255	14,231,449	3,919,886	3,064,042	18,872,141	17,295,491
Reportable segment liabilities	9,493,744	7,973,002	1,998,900	1,401,926	11,492,644	9,374,928

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

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Reportable segment profit	1,134,399	1,159,677
Depreciation and amortisation	(122,829)	(110,433)
Net finance costs	(154,912)	(61,349)
Impairment of non-current assets	(19,200)	(76,256)
Reversal of/(provision for) impairment losses on trade and other receivables	<u>7,621</u>	<u>(356)</u>
Consolidated profit before taxation	<u><u>845,079</u></u>	<u><u>911,283</u></u>

5 OTHER OPERATING (EXPENSES)/INCOME, NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Net realised and unrealised (loss)/gain on derivative financial instruments (<i>note</i>)	(59,343)	21,164
Others	<u>9,502</u>	<u>(4,391)</u>
	<u><u>(49,841)</u></u>	<u><u>16,773</u></u>

Note: Net realised and unrealised (loss)/gain on derivative financial instruments represented the net loss or gain from commodity futures contracts entered into by the Group during the period ended 30 June 2022 and 2021.

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interest income	<u>(14,193)</u>	<u>(13,419)</u>
Finance income	<u>(14,193)</u>	<u>(13,419)</u>
Interest on discounted bills receivable	16,244	16,303
Interest on secured bank loans	13,312	16,435
Interest on other interest-bearing borrowings	12,268	13,853
Interest on lease liabilities	<u>9,223</u>	<u>9,694</u>
Total interest expense	51,047	56,285
Bank and other charges	6,878	8,483
Changes in fair value on warrants	8,782	–
Foreign exchange loss, net	<u>102,398</u>	<u>10,000</u>
Finance costs	<u>169,105</u>	<u>74,768</u>
Net finance costs	<u>154,912</u>	<u>61,349</u>

(b) Staff costs

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Salaries, wages, bonus and other benefits	447,771	298,554
Contributions to defined contribution retirement plan	<u>5,911</u>	<u>5,105</u>
	<u>453,682</u>	<u>303,659</u>

During the six months ended 30 June 2022, staff costs of the Group included accrued bonus of approximately HK\$110,568,000 (six months ended 30 June 2021: HK\$148,911,000) 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.

(c) Other items

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Amortisation and depreciation		
– property, plant and equipment	83,145	60,595
– right-of-use assets	36,348	46,184
– intangible assets	3,336	3,654
(Reversal of)/provision for impairment losses		
– trade and other receivables	4,972	5,378
– bills receivable	(12,593)	(5,022)
Impairment of non-current assets		
– right-of use assets	–	76,256
– interests in a joint venture	19,200	–
Cost of inventories		
– carrying amount of inventories sold	14,410,799	10,424,455
– write-down of inventories	295,212	(65,741)

7 INCOME TAX

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current tax-Hong Kong Profits Tax		
Provision for the period	30,652	3,152
Current tax-Outside of Hong Kong		
Provision for the period	159,289	115,748
Under/(over)-provision in respect of prior years	830	(1,723)
Deferred Tax		
Origination and reversal of temporary differences	(66,768)	6,880
	<u>124,003</u>	<u>124,057</u>

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% (2021: 16.5%) of the estimated assessable profits for the period.

The provision for PRC current income tax is based on a statutory rate of 25% (2021: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

According to Cai Shui [2020] No.31 Notice on Preferential Corporate Income Tax Policies for the Hainan Free Trade Port, certain subsidiaries of the Group are entitled to a preferential tax rate of 15% from 1 January 2021 to 31 December 2024.

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

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on profit attributable to equity shareholders of the Company of HK\$703,305,000 (six months ended 30 June 2021: HK\$777,526,000) and the weighted average number of ordinary shares of 2,856,725,000 (six months ended 30 June 2021: 3,025,143,000 shares) in issue during the six months ended 30 June 2022, calculated as follows:

Weighted average number of ordinary shares (basic):

	Six months ended 30 June	
	2022	2021
	'000	'000
Issued ordinary shares at 1 January	3,026,883	3,026,883
Effect of purchase of own shares	(258,214)	–
Effect of shares held by the employee share trusts*	–	(1,740)
Shares issued for exercise of warrants	88,056	–
	<u> </u>	<u> </u>
Weighted average number of ordinary shares (basic) as at 30 June	<u>2,856,725</u>	<u>3,025,143</u>

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

(b) Diluted earnings per share

For the six months ended 30 June 2022, basic and diluted earnings per share was the same as the effect of the potential ordinary shares outstanding was anti-diluted. For the six months ended 30 June 2021, basic and diluted earnings per share was the same as there were no potentially dilutive ordinary shares in issue during the period.

9 INTERESTS IN ASSOCIATES

The following list contains only the particulars of material associates, all of which are unlisted entities:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Xianghui Energy (Xiamen) Co., Ltd. ("Xianghui Energy")	Incorporated	PRC	RMB2,000,000,000	49%	-	49%	Coal trading in the PRC

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

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

	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Gross amounts of the associate		
Current assets	4,071,748	4,030,300
Non-current assets	6,191	7,444
Current liabilities	1,581,460	1,397,831
Non-current liabilities	1,105	-
Equity	2,495,374	2,639,913
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3,703,288	3,023,530
Profit for the period	116,071	124,799
Other comprehensive income	(56,350)	29,308
Total comprehensive income	59,721	154,107
Dividend received from the associate	100,087	73,228

Reconciled to the Group's interest in the associate

	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Gross amounts of net assets of the associate	2,495,374	2,639,913
Group's effective interest	49%	49%
Group's share of net assets of the associate	1,222,733	1,293,557
Carrying amount in the condensed consolidated financial statements	1,222,733	1,293,557

Aggregate information of the associates that is not individually material:

	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Aggregate carrying amount of the individually immaterial associates in the condensed consolidated financial statements	<u>2,261</u>	<u>1,320</u>

Six months ended 30 June

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Aggregate amounts of the Group's share of the associates' (Loss)/gain from continuing operations	(51)	47
Total comprehensive income	(51)	47

10 OTHER NON-CURRENT ASSETS

The balance at 30 June 2022 represented advance payments for equipment purchase and construction in progress.

11 INVENTORIES

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

	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Coal	2,867,476	2,639,220
Others	57,957	101,875
Write down of inventories	<u>(634,799)</u>	<u>(339,587)</u>
	<u>2,290,634</u>	<u>2,401,508</u>

At 30 June 2022, inventories of the Group of HK\$557,567,000 (31 December 2021: HK\$nil) have been pledged as collateral for the Group's borrowings (see note 15) and bills payable (see note 13).

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

	Six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Carrying amount of inventories sold	14,410,799	10,424,455
Write-down of inventories	<u>295,212</u>	<u>(65,741)</u>
	<u>14,706,011</u>	<u>10,358,714</u>

12 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Within 3 months	2,831,216	2,615,987
3 to 6 months	398,655	465,478
6 to 12 months	<u>302,921</u>	<u>67,204</u>
Trade debtors and bills receivable, net of loss allowance	3,532,792	3,148,669
Other debtors (<i>note i</i>)	<u>700,376</u>	<u>485,107</u>
Financial assets measured at amortised cost	4,233,168	3,633,776
Deposits and prepayments	1,011,141	907,607
Other tax recoverable	332,317	306,884
Derivative financial instruments (<i>note ii</i>)	<u>89,012</u>	<u>14,803</u>
	<u>5,665,638</u>	<u>4,863,070</u>

Notes:

- (i) Among the other debtors, HK\$618,049,000 (31 December 2021: HK\$468,468,000) represented receivables due from Xianghui Energy arisen from procurement of coals as an agent of Xianghui Energy.
- (ii) As at 30 June 2022 and 31 December 2021, 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.

As at 30 June 2022, bills receivable of the Group of HK\$971,616,000 (31 December 2021: HK\$282,244,000) have been pledged as collateral for the Group's bills payable (see note 13).

As at 30 June 2022, bills receivable of the Group of HK\$11,693,000 (31 December 2021: HK\$64,098,000) have been pledged as collateral for the Group's borrowings (see note 15).

As at 30 June 2022, bills receivable of the Group of HK\$305,572,000 (31 December 2021: HK\$863,014,000) have been discounted to banks.

13 TRADE AND OTHER PAYABLES

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

	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Within 3 months	3,170,625	2,176,436
More than 3 months but less than 6 months	198,076	68,069
More than 6 months but less than 1 year	404,938	470,221
More than 1 year	<u>11,352</u>	<u>9,946</u>
 Total trade and bills payables	 3,784,991	 2,724,672
Prepayments from customers	461,289	482,860
Payables in connection with construction projects	26,596	56,165
Payables for purchase of equipment	56,259	127,143
Payables for staff related costs	462,179	1,020,349
Payables for other taxes	146,758	65,563
Dividends payable	872,768	199,171
Others	<u>55,401</u>	<u>66,326</u>
	<u><u>5,866,241</u></u>	<u><u>4,742,249</u></u>

As at 30 June 2022, bills payable amounting to HK\$1,944,788,000 (31 December 2021: HK\$653,086,000) have been secured by restricted bank deposits with an aggregate carrying value of HK\$789,625,000 (31 December 2021: HK\$377,012,000), bills receivable with an aggregate carrying value of HK\$971,616,000 (31 December 2021: HK\$282,244,000), and inventories with an aggregate carrying value of HK\$235,619,000 (31 December 2021: HK\$nil).

As at 30 June 2022, bills payable amounting to HK\$246,291,000 (31 December 2021: HK\$183,225,000) together with bank loans amounting to HK\$186,454,000 (31 December 2021: HK\$218,271,000) have been secured by restricted bank deposits with an aggregate carrying value of HK\$76,005,000 (31 December 2021: HK\$91,613,000), property, plant and equipment with an aggregate carrying value of HK\$250,649,000 (31 December 2021: HK\$230,140,000), and land use rights with an aggregate carrying value of HK\$236,631,000 (31 December 2021: HK\$255,503,000).

14 PROVISIONS

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Provision for compensation claim	<u>294,270</u>	<u>292,421</u>

As at 30 June 2022 and 31 December 2021, a provision of US\$37.50 million (approximately HK\$294,270,000) was made by the Group for a compensation claim from a supplier. It was related to the Group's unexecuted contracts for purchase of 146,360 tonnes of coking coal, for which the Group had issued notice of termination of execution to the supplier for the reason of product quality before goods acceptance, during the year ended 31 December 2021. As at 30 June 2022 and 31 December 2021, based on the available facts and circumstance in respect of the compensation claim that it is proceeding with arbitration procedures, taking into account the legal advice from its independent legal counsel, the Group based on its best estimate to provide for the amounts of the compensation claim.

15 SECURED BANK LOANS

(a) The secured bank loans comprise:

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Short-term loans and current portion of long-term loans	1,744,752	1,362,557
Long-term loans	<u>6,092</u>	<u>5,103</u>
	<u>1,750,844</u>	<u>1,367,660</u>

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

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Secured by accounts receivable and inventories	692,502	–
Secured by discounted bills receivable	303,660	863,014
Secured by restricted bank deposits, property, plant and equipment and land use rights	186,454	218,270
Secured by bills receivable and restricted bank deposits	43,486	161,620
Credit guarantee	<u>524,742</u>	<u>124,756</u>
	<u>1,750,844</u>	<u>1,367,660</u>

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend declared and paid after the interim period of HK\$0.061 (2021: HK\$nil per share)	174,943	–
Special dividend declared and paid after the interim period of HK\$nil (2021: HK\$0.064 per share)	–	193,720
	<u>–</u>	<u>193,720</u>

The interim and special dividend has not been recognised as a liability at the end of the Reporting Period.

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

	Six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$0.302 per share (six months ended 30 June 2021: HK\$nil)	865,561	–
	<u>865,561</u>	<u>–</u>

(b) Share capital

	At 30 June 2022		At 31 December 2021	
	No. of shares '000		No. of shares '000	
Authorised:				
Ordinary shares with no par value	<u>6,000,000</u>		<u>6,000,000</u>	
	2022		2021	
	<i>No. of shares</i>		<i>No. of shares</i>	
	<i>'000</i>	<i>HK\$'000</i>	<i>'000</i>	<i>HK\$'000</i>
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	3,026,883	5,784,673	3,026,883	5,784,673
Purchase of own shares (<i>note i</i>)	(277,020)	(272,030)	–	–
Shares issued for exercise of warrants (<i>note ii</i>)	<u>118,060</u>	<u>148,755</u>	<u>–</u>	<u>–</u>
At 30 June 2022/31 December 2021	<u>2,867,923</u>	<u>5,661,398</u>	<u>3,026,883</u>	<u>5,784,673</u>

(i) *Purchase of own shares*

During the six months ended 30 June 2022, the Company cancelled in aggregate of 277,020,000 of its own shares from the open market. (six months ended 30 June 2021: nil shares).

(ii) *Shares issued for exercise of warrants*

On 21 February 2022, all the outstanding warrants were exercised at the subscription price for 118,060,606 ordinary shares of the Company.

(iii) *Employee share trust*

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

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

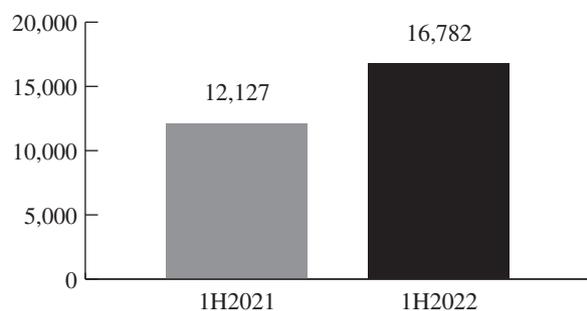
The administrator of the employee share trusts transfers the shares of the Company to employees upon vesting.

During the six months ended 30 June 2022, the Company has repurchased on-market own shares in aggregate of nil shares (six months ended 30 June 2021: 19,123,000 shares) at a cash consideration of HK\$nil (six months ended 30 June 2021: HK\$7,598,000) under the RSU Scheme.

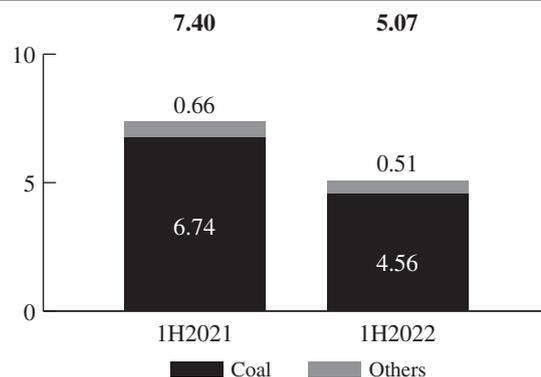
MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW

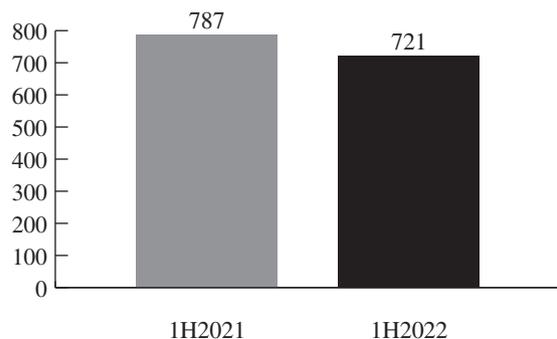
Revenue (in HK\$ million)



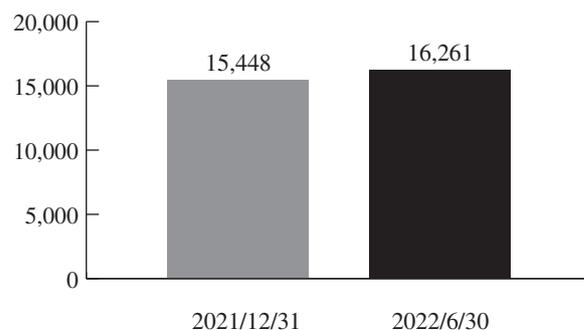
Supply Chain Trading Volume (million tonnes)



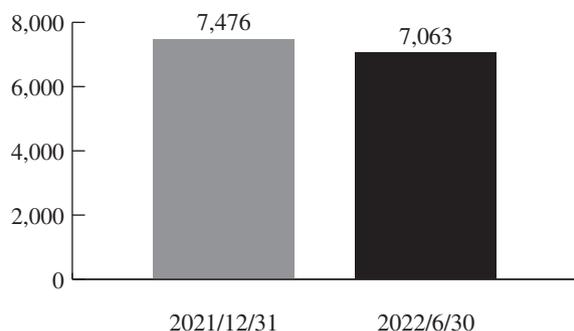
Net Profit (in HK\$ million)



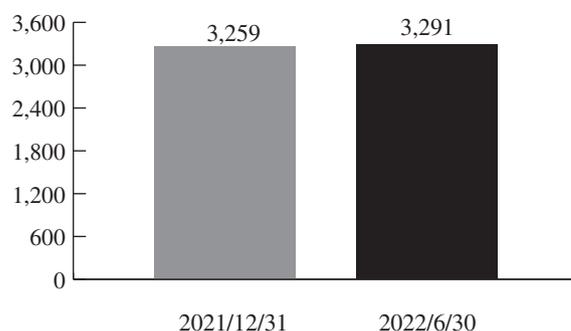
Total Assets (in HK\$ million)



Total Equity (in HK\$ million)



Cash Balance (in HK\$ million)



II. FINANCIAL REVIEW

1. Revenue Overview

In the first half of 2022, the coking coal market experienced extreme volatility, and was impacted by global macroeconomic headwinds, resurgence of the global pandemic and continued supply shortage of coal products. The international coking coal price fluctuated sharply. Recently, European and American countries have raised interest rates one after another, resulting in weakening of demands that led to a sharp drop in prices of commodities including international steel and coking coal. Under such volatile markets, the Company recorded a consolidated revenue of HK\$16,782 million, representing an increase of 38.39% compared to HK\$12,127 million for the first half of 2021, mainly due to the following factors: 1) the average selling price of coking coal increased compared to the same period due to the change of supply and demand; 2) the Group implemented the global expansion strategy for suppliers and customers; 3) the Group further expanded the domestic coking coal business, and the revenue increased by HK\$783 million compared to the same period in 2021; 4) given the various and simultaneous precautionary measures in place for coping with the COVID-19 pandemic in Mongolia, which led to the restoration of the customs clearance capacity at the ports and promotion of the Mongolian coal imports, the customs clearance at the ports were increased.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Disaggregated by major products or service lines		
– Coal	13,066,549	9,336,743
– Oil and petrochemical products	2,148,553	1,793,729
– Rendering of integrated supply chain services	1,309,839	418,683
– Iron ore	233,535	485,438
– Coke	16,582	20,206
– Nonferrous metals	–	51,135
– Others	7,066	20,847
	<u>16,782,124</u>	<u>12,126,781</u>

In the first half of 2022, the Group further expanded its geographic coverage of business to Netherlands, Malaysia and Brazil and other countries. Sales revenue in the amount of approximately HK\$4,676 million was generated from outside the PRC (including Hong Kong, Macau and Taiwan), representing 27.86% of the total revenue compared to 14.98% for the same period last year, showing the great effort of the Group in global market expansion and market diversification.

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
– The PRC (including Hong Kong, Macau and Taiwan)	12,105,899	10,310,708
– South Korea	1,615,422	816,228
– Netherlands	999,478	–
– Indonesia	797,403	39,346
– Malaysia	608,426	–
– India	394,378	620,821
– Brazil	252,856	–
– Turkey	–	143,403
– Vietnam	–	71,352
– Others	8,262	124,923
	<u>16,782,124</u>	<u>12,126,781</u>

In the first half of 2022, the sales revenue from our top five customers accounted for 37.29% of our total sales, whereas the same ratio was 40.85% in the first half of 2021. As the Group further expanded the international market, our top five customers have expanded from large-scale, state-owned steel groups to internationally renowned enterprises.

Supply Chain Trading

In the first half of 2022, our commodities trading business sector contributed the majority of our revenue, accounting for HK\$15,465 million, representing approximately 92.15% of the total revenue. This sector generates income by providing commodities trading services to our end customers, covering diversified commodities including, among others, coal products, petrochemical products, iron ore and coke.

In the first half of 2022, the revenue of the Group was still mainly generated from the coal trading business, the revenue of coal products increased by 39.95% from HK\$9,337 million in the first half of 2021 to HK\$13,067 million in the first half of 2022. The trading volume of coking coal of the Group decreased from 6.48 million tonnes in the first half of 2021 to 4.32 million tonnes in the first half of 2022. The decrease in the trading volume of coking coal was mainly due to the weak procurement demand of downstream steel mills and poor profitability of steel products caused by the COVID-19 pandemic situation in China. However, in terms of the price, the global supply shortage for coking coal led to the rise in coking coal selling price compared to the same period last year.

Integrated Supply Chain Services

In the first half of 2022, the integrated supply chain services mainly comprised transportation, warehousing, coal processing and other logistic services in Mongolia and Mainland China, and largely focused on transportation and warehousing services in Inner Mongolia and those from Mongolia mining pits to Sino-Mongolia border-crossings. In the first half of 2022, HK\$1,310 million revenue was generated from the integrated supply chain services business segment, representing an increase of 212.65% compared to HK\$419 million in the first half of 2021. This was mainly due to the increased cross-border transportation volume of Mongolian coal. The revenue from integrated supply chain services segment contributed 7.80% of the total revenue, which increased from 3.45% from the same period in 2021.

Business Prospects

Under the current global turmoil, the Group will continue to operate pragmatically and strengthen risk management while continuously seizing business opportunities. At the same time, the Group will carry out the idea of ecological civilization and promote the “green” transportation of coal and other commodities, so as to realize “from bulk to container”, “intelligent” and “from road to railway”, to create a green, intelligent, safe and efficient land port and logistics system. Through Group’s proactive research, the Group has put into a new type of Automated Guided Vehicle (AGV) unmanned cross-border transportation vehicle at Sino-Mongolian border ports, in order to achieve the new mode of “passing of goods without human intervention” at the coal clearance port with a view to strive to further improve the efficiency of customs clearance and enhance the port clearance volume. The project has received strong support from the relevant government departments of China and Mongolia, and the driving test has been completed and the vehicles were put into trial operation at an initial stage. In the long run, a transportation landscape at Sino-Mongolian border-crossing ports are expected to form a coexistence of multiple transportation methods comprising manned and unmanned road and railway transportation, which is expected to improve the ports’ risk resistance capacity to a great extent and may establish a stable and efficient annual customs clearance volume.

2. Cost of Goods Sold (“COGS”) and Procurement

COGS primarily consists of the purchase price, transportation costs and processing costs. COGS in the first half of 2022 was HK\$14,643 million, representing a 40.64% increase compared to HK\$10,412 million in the first half of 2021. The increase was mainly due to the increased purchase price of coal in the first half of 2022, which was higher than that of the same period in 2021. 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.

	Six months ended 30 June			
	2022		2021	
	Procurement volume '000 tonnes	Procurement amounts HK\$'000	Procurement volume '000 tonnes	Procurement amounts HK\$'000
Coal	4,440	11,484,966	6,331	8,314,556
Petrochemical products	235	2,083,829	258	1,774,063
Iron ore	242	210,058	409	524,614
Coke	7	24,243	8	23,498
Nonferrous metals	—	—	2	50,800
	<u>4,924</u>	<u>13,803,096</u>	<u>7,010</u>	<u>10,687,531</u>

In the first half of 2022, the total procurement amount was HK\$13,803 million, of which, the procurement amount from top five suppliers accounted for 34.35% and such suppliers are mainly the leading coking coal suppliers in the world. No director of the Company or their close associates (as defined under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)), or shareholder of the Company owning more than 5% of the issued shares in the Company, has any interest in any of our suppliers.

3. Gross Profit

The Group recorded a gross profit of HK\$1,457 million in the first half of 2022, representing an 8.65% increase compared to a gross profit of HK\$1,341 million in the first half of 2021. The gross profit recorded for the first half of 2022 included an inventory impairment arrangement amounting to approximately HK\$635 million. Due to the downturn trend of the coking coal after the Reporting Period, the Group has made an impairment arrangement for the underlying market price after considering the signed contract price and the unsigned contract price after the Reporting Period.

4. Distribution Costs

Distribution costs incurred in the first half of 2022 were HK\$99 million, representing an 106.25% increase compared to HK\$48 million in the first half of 2021. The increase in distribution costs was mainly due to the increase in domestic coking coal business.

5. Administrative Expenses

Administrative expenses incurred in the first half of 2022 were HK\$366 million, representing an increase of 3.98% over HK\$352 million of administrative expenses incurred in the first half of 2021.

6. Other Net Operating Expenses

In the first half of 2022, the Group recorded an other net operating expenses of HK\$50 million, compared to other net operating income of HK\$17 million in the first half of 2021. This was mainly due to a loss of approximately HK\$52 million on the futures side in the hedging of the futures business.

7. Net Finance Costs

Net finance costs incurred in the first half of 2022 were HK\$155 million, representing an increase of 154.10% compared to HK\$61 million in the first half of 2021. The increase was mainly due to foreign exchange loss.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interest income	<u>(14,193)</u>	<u>(13,419)</u>
Finance income	<u>(14,193)</u>	<u>(13,419)</u>
Interest on lease liabilities	9,223	9,694
Interest on secured bank and other loans	25,580	30,288
Interest on discounted bills receivable	<u>16,244</u>	<u>16,303</u>
Total interest expense	51,047	56,285
Foreign exchange loss, net	102,398	10,000
Bank and other charges	6,878	8,483
Changes in fair value on warrants	<u>8,782</u>	<u>—</u>
Finance costs	<u>169,105</u>	<u>74,768</u>
Net finance costs	<u>154,912</u>	<u>61,349</u>

8. Net Profit and Earnings Per Share

Our net profit for the first half of 2022 was HK\$721 million, compared to net profit of HK\$787 million for the first half of 2021.

Both basic earnings per share and diluted earnings per share were HK\$0.246 for the six months ended 30 June 2022.

9. Interest in Xianghui Energy

Xianghui Energy commenced operation in October 2019 and is mainly engaged in trading Mongolian coal in the PRC. Xianghui Energy recorded revenue of HK\$3,703 million and net profit of HK\$116 million during the first half of 2022.

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

	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Gross amounts of the associate		
Current assets	4,071,748	4,030,300
Non-current assets	6,191	7,444
Current liabilities	1,581,460	1,397,831
Non-current liabilities	1,105	–
Equity	2,495,374	2,639,913
	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Gross amounts of net assets of the associate	2,495,374	2,639,913
Group's effective interest	49%	49%
Group's share of net assets of the associate	1,222,733	1,293,557
	Six months ended 30 June 2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3,703,288	3,023,530
Profit for the period	116,071	124,799
Other comprehensive income	(56,350)	29,308
Total comprehensive income	59,721	154,107
Dividend received from the associate	100,087	73,228

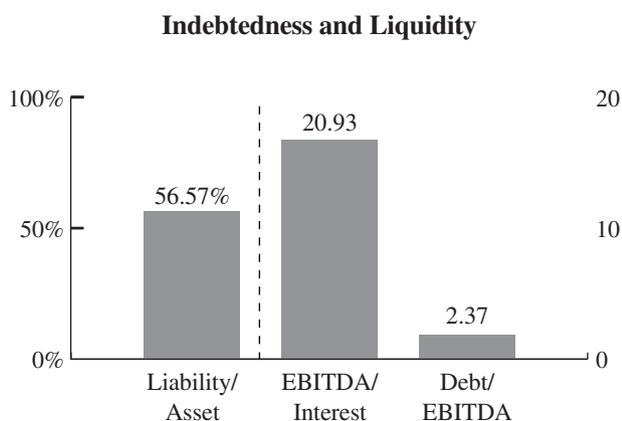
10. Inventories

	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Coal	2,867,476	2,639,220
Others	57,957	101,875
Write down of inventories	<u>(634,799)</u>	<u>(339,587)</u>
	<u>2,290,634</u>	<u>2,401,508</u>

Inventories as at 30 June 2022 were HK\$2,291 million, representing an 4.62% decrease compared to HK\$2,402 million as at 31 December 2021. The decrease in inventories was mainly due to the downturn trend of the coking coal after the Reporting Period, the Group has made an impairment arrangement amounting to HK\$635 million for the underlying market price after considering the signed contract price and the unsigned contract price after the Reporting Period.

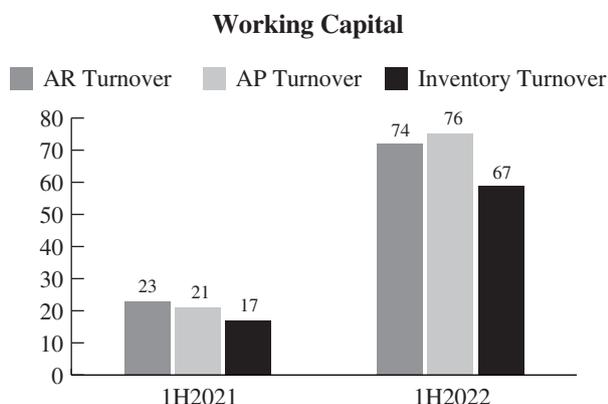
11. Indebtedness and Liquidity

The total amount of bank loans owed by the Group at the end of June 2022 was HK\$1,751 million. Interest rates on these loans range from 0.25% to 11.35% per annum, whereas the range for the same period in 2021 was from 0.64% to 11.35%. The Group's gearing ratio at the end of June 2022 was 56.57%, which represents an increase compared to 51.60% at the end of December 2021. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.



12. Working Capital

In the first half of 2022, our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 74 days, 76 days, and 67 days, respectively. As a result, the overall cash conversion cycle was approximately 65 days.



13. Pledge of Assets

As at 30 June 2022, bank loans amounting to HK\$524,742,000 (31 December 2021: HK\$124,756,000) were secured by credit guarantee with a guarantee amount of HK\$524,742,000 (31 December 2021: HK\$124,756,000) provided by subsidiaries of the Group.

As at 30 June 2022, bank loans amounting to HK\$186,454,000 (31 December 2021: HK\$218,271,000) together with bills payable amounting to HK\$246,291,000 (31 December 2021: HK\$183,225,000) were secured by restricted bank deposits with an aggregate carrying value of HK\$76,005,000 (31 December 2021: HK\$91,613,000), property, plant and equipment with an aggregate carrying value of HK\$250,649,000 (31 December 2021: HK\$230,140,000), and land use rights with an aggregate carrying value of HK\$236,631,000 (31 December 2021: HK\$255,503,000).

As at 30 June 2022, bank loans amounting to HK\$692,502,000 (31 December 2021: HK\$nil) were secured by inventories with an aggregate carrying value of HK\$321,948,000 (31 December 2021: HK\$nil) and accounts receivable with an aggregate carrying value of HK\$303,904,000 (31 December 2021: HK\$nil).

As at 30 June 2022, bank loans amounting to HK\$312,079,000 (31 December 2021: HK\$931,063,000) were secured by bills receivable with an aggregate carrying value of HK\$317,265,000 (31 December 2021: HK\$927,112,000), and restricted bank deposits with an aggregate carrying value of HK\$nil (31 December 2021: HK\$5,451,000).

As at 30 June 2022, bank loans amounting to HK\$35,067,000 (31 December 2021: HK\$93,570,000) were secured by restricted bank deposits with an aggregate carrying value of HK\$35,079,000 (31 December 2021: HK\$99,201,000).

As at 30 June 2022, bills payable amounting to HK\$1,944,788,000 (31 December 2021: HK\$653,086,000) were secured by restricted bank deposits with an aggregate carrying value of HK\$789,625,000 (31 December 2021: HK\$377,012,000), bills receivable with an aggregate carrying value of HK\$971,616,000 (31 December 2021: HK\$282,244,000) and inventories with an aggregate carrying value of HK\$235,619,000 (31 December 2021: HK\$nil).

As at 30 June 2022, lease liabilities amounting to HK\$175,884,000 (31 December 2021: HK\$24,336,000) were secured by property, plant and equipment with an aggregate carrying value of HK\$48,499,000 (31 December 2021: HK\$51,863,000), land use rights with an aggregate carrying value of HK\$96,758,000 (31 December 2021: HK\$25,477,000).

14. Cash Flow

In the first half of 2022, the Group had an operating cash inflow of HK\$659 million compared to HK\$462 million cash outflow during the same period last year. The net cash inflow from operating activities in the first half of 2022 was mainly contributed from cash profit of HK\$845 million and net cash outflow of working capital changes of HK\$228 million.

In the first half of 2022, the Group had a cash outflow from investing activities of HK\$436 million compared to HK\$8 million cash inflow during the same period last year. The net cash outflow from investing activities in the first half of 2022 was mainly attributable to cash outflow from investment in logistics assets.

In the first half of 2022, the Group had a cash outflow from financing activities of HK\$121 million compared to HK\$632 million cash inflow during the same period last year. The cash outflow from financing activities in the first half of 2022 was mainly attributable to cash outflow of repayment of bank loans, on-market repurchase of shares, and dividend paid to equity Shareholders.

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

	Six months ended 30 June 2022*	Adjustments	Adjusted six months ended 30 June 2022**
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents at 1 January	3,259,393		3,259,393
Net cash generated from/(used in) operating activities	658,502	(402,225)	256,277
Net cash generated from/(used in) investing activities	(436,104)	94,370 ¹	(341,734)
Net cash generated from/(used in) financing activities	(121,354)	307,855 ²	186,501
Effect of foreign exchange rate changes	<u>(69,098)</u>		<u>(69,098)</u>
Cash and cash equivalents as at 30 June	<u><u>3,291,339</u></u>		<u><u>3,291,339</u></u>

Note:

1. Full margin deposit for letter of credit

2. Discounted bills and bill pledged loans

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

** Illustrative purpose only.

III. WORKING CAPITAL AND FINANCIAL POLICY

The Group managed its funds by pre-planning and real-time monitoring measures. The Group raised funds through business activities, discount of notes receivable, factoring of accounts receivable, banking facilities from domestic and overseas banks, and bond financing, so as to ensure the expenditure for business operation, loan repayment and capital expenditure. In the first half of 2022, the Group's main financing methods were notes receivable, discounted letters of credit and banking facilities.

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

The main currencies of the Company's business and operation were US dollars and Renminbi. For the business for which purchases were made in US dollars and sales were made in Renminbi, the Company paid close attention to the exchange rate of US dollars to Renminbi. In the fluctuation of foreign exchange rate of US dollars to Renminbi, 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 the Group currently believes may materially affect its performance and financial condition. However, this should not be taken as an exhaustive list as there may be additional risks and uncertainties not currently known to the Group, or those which are currently deemed to be immaterial, but may become material in the future and which may adversely affect the Group's business, results of operations, financial condition and prospects.

1. Volatility of Commodities Prices

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

2. Dependence on the Steel Industry

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

3. Liquidity Risk

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

4. Currency Risk

Over 52.58% of the Group's turnover in the first half of 2022 were denominated in Renminbi. Over 66.76% of the Group's procurement costs, and some of our operating expenses, were denominated in US dollars. The exchange rates between Renminbi and US dollars and other currencies vary from time to time due to the influence from the political and economic changes in China and the world, as well as the Chinese governance fiscal and currency policy. Fluctuations in exchange rates may adversely affect the value of the Group's net assets, earnings or any declared dividends as Renminbi is translated or converted into US dollars or Hong Kong dollars. The Group has mostly locked the currency risk of related commodities trading businesses by adopting corresponding exchange rate management policies and derivatives hedging approaches, however, any unfavourable movement in the exchange rate may still lead to an increase in the costs of the Group or a decline in sales, which could materially affect the Group's results of operations.

5. Fair Value Measurement

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

6. Impact of COVID-19 Pandemic and Heightened Geopolitical Tensions

The resurgence of COVID-19 pandemic since late 2021 had a substantial impact on the recovery of domestic and foreign economies. The heightened geopolitical tensions arising from recent events continue to bring uncertainties to the Group's operating environment and may impact Group's operations and financial position. The supply of metallurgical coal in Australia, a major coal producer, was reduced due to the dual impact of the pandemic and heavy rainfall, leading to a significant increase in the international coal prices and the inversion of domestic and international coal prices, which inhibited the demand of imports. In the first half of the year, the enterprises of domestic downstream coke and steel industries were not so profitable, and thus having a low intention to purchase. In light of the aforementioned, the Company purchases on a rolling basis based on the market demand in which the Company accordingly reduced its purchase amount when the demand in the downstream is low, so as to manage the business associated risks.

On the other hand, the COVID-19 control measures by the Chinese government has been adjusted from "prevention and control oriented" to "able to both prevent and open". Through the control measures of prior PCR testing, domestic closed-loop management and staggered work shifts, and with the joint efforts of the Chinese government and enterprises, cargo passed through the Sino-Mongolian border-crossing ports have been increased. Besides, Gants Mod Port resumed transportation at the end of March 2022 and Ceke Port resumed customs clearance at the end of May 2022. Under such background, the Company's revenue from Sino-Mongolian integrated supply chain services increased and the gross profit improved during the Reporting Period.

Due to the uncertainty of the development and spread of COVID-19 after the date of this announcement, further changes in the economic conditions of the Group arising therefrom may further affect the financial results of the Group, the extent of which cannot be estimated as at the date of this announcement. The Group will continue to monitor the development of the COVID-19 outbreak and take proactive measures to address its impact on the financial position and business performance of the Group.

V. HUMAN RESOURCES

Employee Overview

The Group aims to set up a performance-oriented compensation and benefit system while balancing the internal and external market in different job positions. As at 30 June 2022, the Company had subsidiaries or branch offices in China (including Hong Kong and Macau), Singapore, Mongolia and other countries and regions. The Group has entered into formal employment contracts with all employees and pays all mandatory social insurances in full in the relevant countries and regions in strict compliance with the applicable laws and regulations.

As at 30 June 2022, the Group had 1,520 full-time employees (excluding 655 labor dispatch workers in the PRC subsidiaries). Detailed figures by category of employees are as follows:

Functions	No. of Employees	Percentage
Management, administration and finance	98	7%
Front-line production, production support and maintenance	68	4%
Sales and marketing	80	5%
Others (including projects, coal washing and transportations)	291	19%
Cargo drivers (Mongolia)	<u>983</u>	<u>65%</u>
Total	<u><u>1,520</u></u>	<u><u>100%</u></u>

Employee Education Overview

Qualifications	No. of Employees	Percentage
Master and above	46	3%
Bachelor	234	15%
Diploma	83	6%
Middle-school (secondary school) and below	<u>1,157</u>	<u>76%</u>
Total	<u><u>1,520</u></u>	<u><u>100%</u></u>

Training Overview

Training is essential for the Group to improving the employees' working capabilities and management skills. For the six months ended 30 June 2022, the Group held various internal and external training programs in an aggregate of 107 training hours for 929 participants in total.

Training Courses	No. of hours	No. of participants
Safety	24	375
Management and leadership	75	545
Professional skill	<u>8</u>	<u>9</u>
Total	<u><u>107</u></u>	<u><u>929</u></u>

VI. HEALTH, SAFETY AND ENVIRONMENT

The Group attaches great importance to the health and safety of employees and understands the importance of environment protection. The Lost Time Injury Frequency Rate (LTIFR), Fatality Incident Rate (FTIR) and Total Recordable Case Frequency (TRCF) are key indicators to measure how we achieve our commitment. No casualties, environmental accidents or occupational health and safety accidents occurred in the first half of 2022.

In accordance with the Conclusions to its Consultation on the Review of the ESG Reporting Guide and Related Listing Rules published by the Stock Exchange on 18 December 2019, the Company has engaged an independent professional third party to work in consultation for its 2021 report on environmental, social and governance matters (“**ESG**”). Such third-party consultant has completed its consultation and training accordingly, to the Directors and ESG relevant staff, on ESG policy changes, compliance requirements, suggested work procedures, and others.

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

During the Reporting Period, the Board considered repurchases of shares in the Company (the “**Share(s)**”) will lead to an enhancement of the net asset value per Share and/or earnings per Share, thus the Company repurchased a total of 113,460,000 Shares on the Stock Exchange at an aggregate settlement cost of approximately HK\$136,761,496. All the abovementioned Shares repurchased during the Reporting Period were cancelled as at the date of this announcement.

In addition, in July 2022, the Company further repurchased a total of 3,118,000 Shares on the Stock Exchange at an aggregate settlement cost of approximately HK\$5,534,272, which will be cancelled in due course.

VIII. OTHER INFORMATION

Adoption of the 2022 RSU Scheme

On 6 January 2022, the Board approved the adoption of the 2022 restricted share unit scheme of the Company (the “**2022 RSU Scheme**”) given the existing restricted share unit scheme is expiring on 11 June 2022. The purpose of the 2022 RSU Scheme is to retain and motivate participants to make contributions to the long-term growth and profits of the Group with a view to achieving the objective of increasing the value of the Group and to promote a greater alignment of interests between participants and the Shareholders. The 2022 RSU Scheme shall be valid and effective for a period of ten (10) years commencing from the date of adoption of the 2022 RSU Scheme. The total number of Shares underlying the restricted share units to be granted under the 2022 RSU Scheme (excluding the Shares underlying the restricted share units that are lapsed or cancelled in accordance with the relevant provisions of the 2022 RSU Scheme) shall not exceed 10% of the issued Shares as at the date of the adoption of 2022 RSU Scheme.

Pursuant to a trust deed entered into between the Company and Computershare Hong Kong Trustee Limited (the “**Trust Deed**”), the Company appointed Computershare Hong Kong Trustee Limited as the trustee for the administration of the 2022 RSU Scheme pursuant to the terms of the 2022 RSU Scheme (the “**Trustee**”). Under the Trust Deed, the Trustee shall not exercise any voting rights in respect of the Shares held pursuant to the settlement created by the Trust Deed. The Trustee will administer the 2022 RSU Scheme in accordance with the terms of the 2022 RSU Scheme and the Trust Deed.

The grant of restricted share units shall be satisfied by existing Shares to be acquired by the Trustee through on-market transactions. The Company shall procure that sufficient funds are provided to the Trustee to enable the Trustee to satisfy its obligations in connection with the 2022 RSU Scheme. Further details of the 2022 RSU Scheme are set out in the Company’s announcement dated 6 January 2022.

Exercise of Warrants and issue of Warrant Shares

On 21 February 2022, the warrant subscription rights attaching to all the warrants issued by the Company dated 14 September 2017 (the “**Warrants**”) were exercised by the Star-Trinity Profits Limited (the “**Warrantholder**”) in accordance with the instrument of the Warrants (the “**Warrants Instrument**”) and a total number of 118,060,606 Shares underlying the Warrants (the “**Warrant Share(s)**”) were issued on 21 February 2022. The initial subscription price for the Warrants was HK\$0.99 per Warrant Share (the “**Warrant Subscription Price**”) with the effective period of five years from 14 September 2017 to 13 September 2022. The Warrant Subscription Price was subsequently adjusted pursuant to the terms and conditions of the Warrant Instrument as a result of the declaration of an interim dividend of HK\$0.038 per Share for the six month ended 30 June 2017, the declaration of the final dividend of HK\$0.034 per Share for the year ended 31 December 2017, the declaration of the final dividend of HK\$0.072 per Share for the year ended 31 December 2018 and the declaration of a special dividend of HK\$0.064 per Share on 30 September 2021. Accordingly, the Warrant Subscription Price was adjusted to HK\$0.654 per Warrant Share. The gross proceeds from the issue of Warrant Shares were HK\$77,211,636.32 and the net proceeds from the issue of Warrant Shares, after deducting related fees and expenses, were HK\$77,054,712.62. Pursuant to the terms and conditions of the Warrant Instrument, the Company proposes to apply such proceeds for daily liquidity and business development of the Company.

The Warrants were transferred by Lord Central Opportunity VII Limited, the subscriber of the Warrants, to the Warrantholder on 11 October 2021. Upon the completion of the exercise of Warrants, 118,060,606 Warrant Shares were issued to the Warrantholder, representing approximately 4.12% of the total number of shares in issue in the Company as at 21 February 2022. The Warrant Shares issued to the Warrantholder shall rank pari passu and carry the same rights and privilege in all aspects with the fully paid Shares in issue as at the date of allotment and issue of such Warrant Shares. After the completion of the issue of Warrant Shares, there were no outstanding Warrant Subscription Rights for the Warrantholder.

Further details of the exercise of Warrants and issue of Warrant Shares are set out in the Company's announcement dated 21 February 2022.

IX. INTERIM DIVIDEND

The declaration of an interim dividend in cash of HK\$0.061 per Share has been approved by the Board, which is expected to be payable on or around 13 January 2023. The Company will make a further announcement to set out the details on the payment of the interim dividend and closure of register of members of the Company.

X. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2022, the Company complied with the code provisions (the "**Code Provisions**") set out in Part 2 of Appendix 14 to the Listing Rules, except for the deviation from the Code Provision C.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, the chairman of the Board (the "**Chairman**"), was appointed as the chief executive officer of the Company ("**CEO**") on 18 July 2019. 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 C.2.1 is appropriate in such circumstances.

Except for the deviation mentioned above, the Company fully complied with all the Code Provisions throughout the six months ended 30 June 2022.

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

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each Director has confirmed that he/she has complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022.

XII. REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2022. The interim results are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

XIII. DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

This interim results announcement is published on the websites of the Company (www.e-comm.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2022 will be dispatched to shareholders of the Company and will be available on the above websites in due course.

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

Hong Kong, 24 August 2022

As at the date of this announcement, the executive directors of the Company are Ms. Cao Xinyi, Mr. Wang Yaxu, Ms. Di Jingmin and Mr. Zhao Wei, the non-executive director of the Company is Mr. Guo Lisheng and the independent non-executive directors of the Company are Mr. Ng Yuk Keung, Mr. Wang Wenfu and Mr. Gao Zhikai.