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

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1733)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors ("**Directors**") of E-Commodities Holdings Limited (the "**Company**") is pleased to present the annual results of the Company and its subsidiaries (the "**Group**", "**E-Commodities**", "**we**" or "**us**") for the year ended 31 December 2022 together with comparative figures in 2021.

FINANCIAL HIGHLIGHTS

1. Revenue of the Group from operations in 2022 was HK$34,414 million.

2. Net profit in 2022 was HK$1,705 million.

3. Profit attributable to equity shareholders of the Company in 2022 was HK$1,666 million.

4. Both basic and diluted earnings per share were HK$0.594 in 2022.

5. A final dividend in cash of HK$0.084 per share or approximately HK$241 million has been declared for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	**2022** *HK$'000*	2021 *HK$'000*
Revenue	*3*	**34,414,254**	41,183,601
Cost of sales		**(31,216,318)**	(35,349,865)
Gross profit		**3,197,936**	5,833,736
Other revenue		**40,381**	28,045
Distribution costs		**(107,948)**	(155,124)
Administrative expenses		**(947,281)**	(1,488,071)
Other operating (expenses)/income, net	*4*	**(82,269)**	160,354
Reversal of impairment/(impairment) of non-current assets	*5(c)*	**10,864**	(253,127)
Profit from operations		**2,111,683**	4,125,813
Finance income		**34,733**	22,681
Finance costs		**(251,766)**	(222,193)
Net finance costs	*5(a)*	**(217,033)**	(199,512)
Share of profits less losses of associates	*11*	**136,964**	140,688
Share of profits less losses of joint ventures		**7,230**	2,634
Profit before taxation		**2,038,844**	4,069,623
Income tax	*6*	**(333,952)**	(574,830)
Profit for the year		**1,704,892**	3,494,793

	Note	2022	2021
		HK$'000	*HK$'000*
Profit attributable to:			
Equity shareholders of the Company		**1,665,748**	3,462,244
Non-controlling interests		**39,144**	32,549
Profit for the year		**1,704,892**	3,494,793
Earnings per share	*7*		
Basic (HK$)		**0.594**	1.151
Diluted (HK$)		**0.594**	1.128

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	2022	2021
	HK$'000	*HK$'000*
Profit for the year	**1,704,892**	3,494,793
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)	**(2,664)**	(7,197)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation:		
– Subsidiaries	**(610,775)**	167,261
– Associates	**(98,746)**	8,509
– Joint Ventures	**(8,022)**	936
Other comprehensive income for the year	**(720,207)**	169,509
Total comprehensive income for the year	**984,685**	3,664,302
Total comprehensive income attributable to:		
Equity shareholders of the Company	**953,586**	3,631,216
Non-controlling interests	**31,099**	33,086
Total comprehensive income for the year	**984,685**	3,664,302

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022

(Expressed in Hong Kong dollars)

	Note	**At 31 December 2022** *HK$'000*	At 31 December 2021 *HK$'000*
Non-current assets			
Property, plant and equipment, net	*8*	**1,254,936**	1,215,914
Right-of-use assets	*9*	**872,102**	759,215
Construction in progress	*10*	**395,694**	282,072
Intangible assets		**115,061**	93,003
Interest in associates	*11*	**1,427,870**	1,294,877
Interest in joint ventures		**75,838**	95,182
Other investments in equity securities		**92,235**	106,997
Deferred tax assets		**55,207**	78,731
Other non-current assets	*12*	**81,792**	–
Total non-current assets		**4,370,735**	3,925,991
Current assets			
Inventories	*13*	**1,749,316**	2,401,508
Trade and other receivables	*14*	**4,043,068**	4,863,070
Restricted bank deposits		**860,107**	998,031
Cash and cash equivalents		**2,270,966**	3,259,393
Total current assets		**8,923,457**	11,522,002
Current liabilities			
Secured bank loans		**890,260**	1,362,557
Trade and other payables	*15*	**3,674,994**	4,742,249
Other interest-bearing borrowings		**438,844**	648,289
Lease liabilities	*16*	**232,755**	145,485
Income tax payable		**140,295**	501,830
Warrants		**–**	62,763
Provisions	*17*	**292,849**	292,421
Total current liabilities		**5,669,997**	7,755,594
Net current assets		**3,253,460**	3,766,408
Total assets less current liabilities		**7,624,195**	7,692,399

	Note	At 31 December 2022 HK$'000	At 31 December 2021 HK$'000
Non-current liabilities			
Secured bank loans		**77,415**	5,103
Lease liabilities	*16*	**256,230**	125,364
Deferred income		**48,980**	64,468
Deferred tax liabilities		**42,700**	21,186
Total non-current liabilities		**425,325**	216,121
NET ASSETS		**7,198,870**	7,476,278
CAPITAL AND RESERVES			
Share capital	*18(b)*	**5,661,398**	5,784,673
Reserves		**1,257,316**	1,442,548
Total equity attributable to equity shareholders of the Company		**6,918,714**	7,227,221
Non-controlling interests		**280,156**	249,057
TOTAL EQUITY		**7,198,870**	7,476,278

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)
during the year ended 31 December 2022.

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.

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 2022 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in associates and joint ventures.

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

– investments in equity securities; and

– derivative financial instruments.

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

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

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

(c) Changes in accounting policies

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

- Amendments 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*

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.

3 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 is as follows:

	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	**26,927,042**	36,107,175
– Rendering of integrated supply chain services	**3,756,526**	981,618
– Oil and petrochemical products	**3,137,601**	3,007,881
– Iron ore	**515,550**	864,531
– Coke	**29,298**	112,097
– Nonferrous metals	**–**	51,396
– Others	**48,237**	58,903
	34,414,254	41,183,601

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b)(i) and 3(b)(iii) respectively.

The Group's customer base is diversified and includes two customers (2021: one) with whom transactions have exceeded 10% of the Group's revenues. In 2022 revenues from each of these two customers, including sales to entities which are known to the group to be under common control with these customers, amounted to approximately HK$4,356,648,000 (2021: HK$2,406,067,000) and HK$4,078,864,000 (2021: HK$1,941,174,000), respectively.

(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.

- Rendering of 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 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.

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 2022 and 2021 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*
Disaggregated by timing of revenue recognition						
Point in time	**30,657,728**	40,201,983	**3,357,790**	819,420	**34,015,518**	41,021,403
Over time	**–**	–	**398,736**	162,198	**398,736**	162,198
Revenue from external customers	**30,657,728**	40,201,983	**3,756,526**	981,618	**34,414,254**	41,183,601
Inter-segment revenue	**–**	–	**617,261**	509,814	**617,261**	509,814
Reportable segment revenue	**30,657,728**	40,201,983	**4,373,787**	1,491,432	**35,031,515**	41,693,415
Reportable segment profit (adjusted EBITDA)	**975,433**	4,511,278	**1,588,400**	264,313	**2,563,833**	4,775,591
Interest income	**32,511**	18,484	**2,222**	4,197	**34,733**	22,681
Interest expense	**(65,425)**	(91,611)	**(37,761)**	(34,747)	**(103,186)**	(126,358)
Depreciation and amortization	**(48,649)**	(43,630)	**(213,776)**	(196,882)	**(262,425)**	(240,512)
Reversal of impairment/(impairment) of non-current assets	**–**	(55,685)	**10,864**	(197,442)	**10,864**	(253,127)
Impairment losses on trade and other receivables	**(54,932)**	(11,656)	**(1,463)**	(1,161)	**(56,395)**	(12,817)
Reportable segment assets (including interest in associates and joint ventures)	**10,436,091**	14,231,449	**3,939,411**	3,064,042	**14,375,502**	17,295,491
Additions to non-current segment assets during the year	**99,773**	241,355	**788,864**	413,286	**888,637**	654,641
Reportable segment liabilities	**5,623,520**	7,973,002	**1,416,324**	1,401,926	**7,048,844**	9,374,928

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

	2022	2021
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**35,031,515**	41,693,415
Elimination of inter-segment revenue	**(617,261)**	(509,814)
Consolidated revenue	**34,414,254**	41,183,601

	2022	2021
	HK$'000	*HK$'000*
Profit		
Reportable segment profit	**2,563,833**	4,775,591
Depreciation and amortization	**(262,425)**	(240,512)
Reversal of impairment/(impairment) of non-current assets	**10,864**	(253,127)
Impairment losses on trade and other receivables	**(56,395)**	(12,817)
Net finance costs	**(217,033)**	(199,512)
Consolidated profit before taxation	**2,038,844**	4,069,623

	At 31 December 2022	At 31 December 2021
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**14,375,502**	17,295,491
Deferred tax assets	**55,207**	78,731
Elimination of inter-segment receivables	**(1,136,517)**	(1,926,229)
Consolidated total assets	**13,294,192**	15,447,993
Liabilities		
Reportable segment liabilities	**7,048,844**	9,374,928
Income tax payable	**140,295**	501,830
Deferred tax liabilities	**42,700**	21,186
Elimination of inter-segment payables	**(1,136,517)**	(1,926,229)
Consolidated total liabilities	**6,095,322**	7,971,715

(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**	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including Hong Kong, Macau and Taiwan)	**27,737,415**	34,544,878	**3,332,026**	3,296,661
South Korea	**1,887,872**	1,920,205	**–**	–
Indonesia	**1,412,192**	164,250	**–**	–
Netherlands	**1,314,016**	134,492	**–**	–
Malaysia	**606,643**	236,604		
India	**568,819**	1,618,948	**–**	–
Mongolia	**352,475**	225,804	**829,629**	385,967
Japan	**102,742**	806,783	**32,866**	29,584
Germany	**96**	223,968	**–**	–
Vietnam	**–**	859,353	**–**	–
Others	**431,984**	448,316	**28,772**	28,051
	34,414,254	41,183,601	**4,223,293**	3,740,263

4 OTHER OPERATING (EXPENSES)/INCOME, NET

	2022	2021
	HK$'000	*HK$'000*
Gain/(loss) on disposal of property, plant and equipment, net	**2,038**	(4,972)
Net realised and unrealised (loss)/gain on derivative financial instruments *(note)*	**(81,260)**	175,950
Others	**(3,047)**	(10,624)
	(82,269)	160,354

Note: Net realised and unrealised (loss)/gain on derivative financial instruments mainly represented the net gain or loss from commodity futures contracts entered into by the Group during the year ended 31 December 2022 and 2021.

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2022	2021
	HK$'000	*HK$'000*
Interest income on financial assets measured at amortised cost	**(34,733)**	(22,681)
Finance income	**(34,733)**	(22,681)
Interest on secured bank loans	**24,503**	39,281
Interest on other interest-bearing borrowings	**20,688**	27,153
Interest on discounted bills receivable	**33,066**	40,804
Interest on lease liabilities	**24,929**	19,120
Total interest expense	**103,186**	126,358
Bank and other charges	**14,340**	24,807
Changes in fair value on warrants	**8,782**	62,763
Foreign exchange loss, net	**125,458**	8,265
Finance costs	**251,766**	222,193
Net finance costs	**217,033**	199,512

(b) Staff costs

	2022	2021
	HK$'000	*HK$'000*
Salaries, wages, bonus and other benefits	**875,633**	1,373,619
Contributions to defined contribution retirement plan	**40,399**	11,856
	916,032	1,385,475

During the year ended 31 December 2022, staff costs of the Group included accrued bonus of approximately HK$354,248,000 (2021: HK$976,749,000 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 Group. 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

	2022	2021
	HK$'000	*HK$'000*
Amortisation and depreciation#		
– property, plant and equipment	**167,040**	141,196
– right-of-use assets	**87,567**	92,063
– intangible assets	**7,818**	7,253
Impairment loss on trade and other receivables	**56,395**	12,817
(Reversal of impairment)/impairment of non-current assets		
– property, plant and equipment *(note 8)*	**(30,064)**	176,871
– right-of-use assets *(note 9)*	**–**	76,256
– interests in a joint venture	**19,200**	–
Increase of provisions	**–**	292,421
Cost of inventories# *(note 13(b))*	**29,055,291**	35,033,468

Cost of inventories includes HK$37,888,000 (2021: HK$130,831,000) and HK$35,062,000 (2021: HK$195,867,000) for the year ended 31 December 2022 relating to staff costs, depreciation and amortisation which amount is also included in the respective total amount disclosed separately above or in note 5(b) for each type of these expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2022	2021
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**9,867**	132,729
Current tax – Outside of Hong Kong		
Provision for the year	**278,541**	486,024
Under/(over)-provision in respect of prior years	**507**	(2,419)
Deferred Tax		
Origination and reversal of temporary differences	**45,038**	(41,504)
	333,952	574,830

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 year.

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.

Pursuant to Caishui [2011] No. 58 Notice on Issues Concerning Relevant Tax Policies to In-depth Implementation of the Western Development Strategy, Announcement [2012] No. 12 Public Announcement on Corporate Income Tax Issues Relating to In-depth Implementation of the Western Development Strategy and Announcement [2020] No. 23 Public Announcement on Continuation of Corporate Income Tax policy Relating to the Western Development Strategy, certain subsidiaries of the Group, being enterprises engaged in state encouraged industries established in the specified western regions, are taxed at a preferential income tax rate of 15% till 31 December 2030.

The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("HNTE"), which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. One subsidiary is qualified as a HNTE. Accordingly, the subsidiary is entitled to the preferential tax rate of 15% for the years ended 31 December 2021 and 2022. The Company obtained its certificate of HNTE on 14 September 2021 and is subject to income tax at 15% from 1 January 2021 to 31 December 2023.

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

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of HK$1,665,748,000 (2021: HK$3,462,244,000) and the weighted average number of ordinary shares of 2,805,439,000 ordinary shares (2021: 3,008,180,000 shares) in issue during the year ended 31 December 2022, calculated as follows:

Weighted average number of ordinary shares (basic):

	2022	2021
	'000	*'000*
Issued ordinary shares at 1 January	**3,026,883**	3,026,883
Effect of purchase of own shares *(note 18(b))*	**(308,921)**	(25,243)
Effect of purchase of shares held by the employee share trusts*	**(14,087)**	6,540
Shares issued for exercise of warrants	**101,564**	–
Weighted average number of ordinary shares (basic) as at 31 December	**2,805,439**	3,008,180

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

(b) Diluted earnings per share

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

	2022	2021
	HK'000	*HK'000*
Profit attributable to ordinary equity shareholders	**1,665,748**	3,462,244
Effect of potential ordinary shares - warrants	**–**	62,763
Profit attributable to ordinary equity shareholders (diluted)	**1,665,748**	3,525,007

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

	2022	2021
	HK'000	*HK'000*
Weighted average number of ordinary shares at 31 December	**2,805,439**	3,008,180
Effect of potential ordinary shares - warrants	**–**	118,061
Weighted average number of ordinary shares (diluted) as at 31 December	**2,805,439**	3,126,241

8 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Reconciliation of carrying amount

	Land and buildings *HK$'000*	Plant and machinery *HK$'000*	Railway special assets *HK$'000*	Motor vehicles *HK$'000*	Office and other equipment *HK$'000*	Total *HK$'000*
Cost:						
At 1 January 2021	1,163,089	382,465	311,902	281,318	139,430	2,278,204
Additions	30,624	33,447	–	267,531	20,217	351,819
Transferred from construction in progress *(note 10)*	59,570	2,892	–	315,840	15,293	393,595
Disposals	(381)	(3,785)	(1,555)	(31,869)	(3,882)	(41,472)
Exchange adjustments	23,694	9,570	9,671	5,103	3,241	51,279
At 31 December 2021 and 1 January 2022	1,276,596	424,589	320,018	837,923	174,299	3,033,425
Additions	23,517	45,770	–	77,595	55,357	202,239
Transferred from construction in progress *(note 10)*	85,829	106,234	–	2,493	5,534	200,090
Disposals	–	(344)	–	(22,515)	(608)	(23,467)
Exchange adjustments	(114,367)	(41,392)	(28,645)	(182,403)	(18,017)	(384,824)
At 31 December 2022	1,271,575	534,857	291,373	713,093	216,565	3,027,463
Accumulated depreciation and impairment losses:						
At 1 January 2021	684,883	308,217	290,084	100,819	91,212	1,475,215
Charge for the year	29,905	18,305	260	72,823	19,903	141,196
Impairment loss	–	–	–	176,871	–	176,871
Written back on disposal	(96)	(2,675)	(726)	(10,089)	(2,939)	(16,525)
Exchange adjustments	21,146	7,168	9,012	1,637	1,791	40,754
At 31 December 2021 and 1 January 2022	735,838	331,015	298,630	342,061	109,967	1,817,511
Charge for the year	39,573	25,406	1,566	59,588	40,907	167,040
Impairment loss/(reversal of impairment loss)	16,244	–	–	(46,308)	–	(30,064)
Written back on disposal	–	(87)	–	(11,104)	(481)	(11,672)
Exchange adjustments	(66,613)	(30,652)	(26,805)	(28,299)	(17,919)	(170,288)
At 31 December 2022	725,042	325,682	273,391	315,938	132,474	1,772,527
Net book value:						
At 31 December 2022	546,533	209,175	17,982	397,155	84,091	1,254,936
At 31 December 2021	540,758	93,574	21,388	495,862	64,332	1,215,914

Note: At 31 December 2022, property, plant and equipment of the Group of HK$436,111,000 (2021: HK$282,003,000) have been pledged as collateral for the Group's borrowings, bills payable (see note 15) and lease liabilities (see note 16).

Reversal of impairment loss/Impairment loss

During the year ended 31 December 2021, an impairment loss of HK$176,871,000 for property, plant and equipment in respect of certain of the Group's vehicles in Mongolia was charged to the consolidated statement of profit or loss due to the unfavorable future prospects of the low utilisation of the vehicles.

In view of the increase of the utilisation of the vehicles during 2022, the Group performed impairment assessment with respect of the vehicles. As at 31 December 2022, a reversal of impairment loss of HK$46,308,000 relating to the vehicles have been recorded to the consolidated statement of profit or loss.

The reversal of impairment has been recognised based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering an eight-year period. The cash flows are discounted using a pre-tax discount rate of 22% (2021: 20%). The discount rate used reflects specific risks relating to the relevant segments.

In addition, an impairment loss of HK$16,244,000 for a land use right has been charged to the consolidated statement of profit or loss during the year ended 31 December 2022 on the basis that one land of the Group in Mongolia was suspended and currently had no development plan.

(b) The analysis of net book value of properties

	2022	2021
	HK$'000	*HK$'000*
The PRC (including Hong Kong and Macau)	**460,946**	430,813
Other countries	**85,587**	109,945
Aggregate net book value	**546,533**	540,758

As at 31 December 2022, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to HK$45,160,000 (2021: HK$46,220,000). 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.

9 RIGHT-OF-USE ASSETS

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

	2022 *HK$'000*	2021 *HK$'000*
Lease prepayments, carried at depreciated cost *(note i)*	**413,177**	406,909
Offices leased for own use, carried at depreciated cost *(note ii)*	**42,583**	20,107
Motor vehicles, machinery and other equipment, carried at depreciated cost *(note ii)*	**416,342**	332,199
	872,102	759,215

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 2022, land use rights of the Group of HK$181,065,000 (2021: HK$280,981,000) have been pledged as collateral for the Group's borrowings, bills payable (see note 15) and lease liabilities (see note 16).

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

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

	2022 *HK$'000*	2021 *HK$'000*
Depreciation charge of right-of-use assets by class of underlying asset: *(note 5(c))*		
Ownership interests in leasehold land and buildings	**14,629**	12,634
Other properties leased for own use	**20,599**	11,382
Plant, machinery and equipment	**52,339**	68,047
	87,567	92,063
Interest on lease liabilities *(note 5(a))*	**24,929**	19,120
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December	**5,456**	6,368
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**338**	364
Impairment loss	**–**	76,256

During the year ended 31 December 2022, additions to right-of-use assets were HK$303,953,000. This amount included the addition of motor vehicles, machinery and other equipment with the amount of HK$228,998,000 and lease prepayments with the amount of HK$74,955,000.

Impairment loss

During the year ended 31 December 2021, an impairment loss of HK$55,685,000 was made by the Group, representing the carrying value of the land use rights for several parcels of lands located in Inner Mongolia, net of the associated government grants received. The impairment losses were determined based on evaluation of the development and construction progress of these lands, latest communication with local authorities and legal advice from an independent legal counsel. In addition, the Group recorded impairment losses of HK$20,571,000 in respect of lease prepayments for another land use right, with reference to the lands prices at which other similar assets transacted in similar areas on an arm's length basis.

As at 31 December 2022, based on the evaluation of the development and construction progress of these lands and latest communication with local authorities, the Group continues to make the impairment of HK$76,256,000 for the above mentioned land use rights.

10 CONSTRUCTION IN PROGRESS

	2022	2021
	HK$'000	*HK$'000*
At 1 January	**282,072**	441,697
Additions	**349,394**	227,154
Transferred to property, plant and equipment *(note 8(a))*	**(200,090)**	(393,595)
Exchange adjustments	**(35,682)**	6,816
At 31 December	**395,694**	282,072

11 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			
Company Name	**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 *(note i)*
TTJV Co. LLC.	Incorporated	Mongolia	MNT283,637,000	30%	–	30%	Coal mining services *(note ii)*

Notes:

(i) On 25 July 2019, the Company and Xiamen Xiangyu Joint Stock Company Limited ("**Xiamen Xiangyu**"), entered into a cooperation agreement ("**Cooperation Agreement**") in relation to, among others, the formation of Xianghui Energy. Under the Cooperation Agreement, the registered capital of Xianghui Energy is RMB2 billion, of which RMB980 million was 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.

(ii) On 3 October 2022, the Company acquired 30% equity interest of TTJV Co. LLC. from one of the shareholders of TTJV Co. LLC. with the consideration of USD24,000,000. TTJV Co. LLC. commenced operation in March 2012 and is mainly engaged in coal mining services in Mongolia. The investment in TTJV Co. LLC. enables the Group to extend to the upstream of the integrated supply chain services.

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

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

	Xiang Hui Energy		TTJV
	2022	2021	**2022**
	HK$'000	*HK$'000*	**HK$'000**
Gross amounts of the associate			
Current assets	**4,282,231**	4,030,300	**264,614**
Non-current assets	**13,561**	7,444	**416,762**
Current liabilities	**1,743,791**	1,397,831	**105,605**
Non-current liabilities	**1,063**	–	**–**
Equity	**2,550,938**	2,639,913	**575,771**
Revenue	**11,065,051**	6,783,055	**108,435**
Profit for the year	**276,304**	229,146	**5,987**
Other comprehensive income	**(167,907)**	17,365	**(54,903)**
Total comprehensive income	**108,397**	246,511	**(48,916)**
Reconciled to the Group's interest in the associate			
Gross amounts of net assets of the associate	**2,550,938**	2,639,913	**575,771**
Group's effective interest	**49%**	49%	**30%**
Group's share of net assets of the associate	**1,249,960**	1,293,557	**172,731**
Carrying amount in the consolidated financial statements	**1,249,960**	1,293,557	**172,731**

Aggregate information of associate that is not individually material:

	2022	2021
	HK$'000	*HK$'000*
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	**5,179**	1,320
Aggregate amounts of the Group's share of the associate's		
Loss from continuing operations	**(221)**	(80)
Total comprehensive income	**(221)**	(80)

12 OTHER NON-CURRENT ASSETS

The balance at 31 December 2022 represented advance payments for equipment purchase and construction in progress.

13 INVENTORIES

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

	2022	2021
	HK$'000	*HK$'000*
Coal	**1,653,434**	2,312,342
Others	**95,882**	89,166
	1,749,316	2,401,508

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

	2022	2021
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**29,041,266**	34,759,622
Writen down of inventories	**14,025**	273,846
	29,055,291	35,033,468

14 TRADE AND OTHER RECEIVABLES

	31 December 2022	31 December 2021
	HK$'000	*HK$'000*
Trade debtors and bills receivable, net of loss allowance	**2,671,476**	3,148,669
Other debtors *(note i)*	**267,716**	485,107
Financial assets measured at amortised cost	**2,939,192**	3,633,776
Deposits and prepayments	**695,544**	907,607
Other tax recoverable	**275,687**	306,884
Derivative financial instruments *(note ii)*	**132,645**	14,803
	4,043,068	4,863,070

Notes:

(i) Among the other debtors, HK$188,069,000 (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 31 December 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.

At 31 December 2022, bills receivable of the Group of HK$ nil (2021: HK$64,098,000) have been pledged as collateral for the Group's borrowings.

At 31 December 2022, bills receivable of the Group of HK$472,429,000 (2021: HK$863,014,000) have been discounted to banks, the Group continued to recognize discounted bills of HK$472,429,000 (2021: HK$863,014,000). With respect to this portion of discounted bills, the Board believed that the Group still bears all its risks and returns, including the risk of default on discounted bills. Therefore, the Group continued to fully recognise this portion of the discounted instruments. The Group, at the same time, confirmed the related payment due to the bank borrowings generated by discounting the bills. After discounts were transferred, the Group no longer retained any right to use discounted bills, including the sale, transfer or pledge of discounted bills to the third party.

At 31 December 2022, trade debtors and bills receivable of the Group of HK$433,147,000 (2021: HK$282,244,000) have been pledged as collateral for bills payable (see note 15).

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:

	2022	2021
	HK$'000	*HK$'000*
Within 3 months	**2,458,960**	2,615,987
3 to 6 months	**107,416**	465,478
6 to 12 months	**105,100**	67,204
	2,671,476	3,148,669

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

15 TRADE AND OTHER PAYABLES

	31 December 2022	31 December 2021
	HK$'000	*HK$'000*
Trade and bills payables	**2,334,774**	2,724,672
Prepayments from customers	**282,132**	482,860
Payables in connection with construction projects	**37,313**	56,165
Payables for purchase of equipment and motor vehicles	**51,973**	127,143
Payables for staff related costs *(note i)*	**530,321**	1,020,349
Payables for other taxes	**184,733**	65,563
Derivative financial instruments *(note ii)*	**166**	–
Dividends payable	**189,661**	199,171
Others	**63,921**	66,326
	3,674,994	4,742,249

Notes:

(i) Included bonus payable to senior management amounting to approximately HK$285,055,000 (2021: HK$698,542,000).

(ii) Derivative financial instruments represent fair value of foreign exchange forward contracts as at 31 December 2022 and 31 December 2021.

The Group's bills payable are analysed as follows:

	2022	2021
	HK$'000	*HK$'000*
Secured by restricted bank deposits, property, plant and equipment and land use rights	**110,213**	183,225
Secured by restricted bank deposits, trade debtors and bills receivable	**921,595**	653,086
Total	**1,031,808**	836,311

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

	2022	2021
	HK$'000	*HK$'000*
Within 3 months	**1,643,650**	2,176,436
More than 3 months but less than 6 months	**167,989**	68,069
More than 6 months but less than 1 year	**494,956**	470,221
More than 1 year	**28,179**	9,946
	2,334,774	2,724,672

16 LEASE LIABILITIES

At 31 December 2022, the lease liabilities were repayable as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 1 year	**232,755**	145,485
After 1 year but within 2 years	**175,219**	104,429
After 2 years but within 5 years	**81,011**	20,935
	256,230	125,364
Present value of lease liabilities	**488,985**	270,849

The Group's lease liabilities are analysed as follows:

	2022	2021
	HK$'000	*HK$'000*
Secured by Group's property, plant and equipment and land use rights	**180,712**	24,336
Unsecured and unguaranteed	**308,273**	246,513
	488,985	270,849

17 PROVISIONS

The movements of provisions are as follows:

	Provision for compensation claim
	HK$'000
	(note)
At 1 January 2022	292,421
Exchange adjustments	428
At 31 December 2022	292,849

Note:

As at 31 December 2021, a provision of US$37.50 million (approximately HK$292,421,000) 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 31 December 2021, based on the available facts and circumstance in respect of the compensation claim that it was expected to be proceeded 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.

As at 31 December 2022, the arbitration procedures have not yet been completed. Based on the progress of the arbitration and the judgment results, and after consulting with the Group's independent legal counsel, the Group continues to make the provision of HK$292,849,000.

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2022	2021
	HK$'000	*HK$'000*
Special dividend declared of HK$ nil per ordinary share (2021: HK$0.064)	**–**	193,720
Interim dividend declared of HK$0.061 per ordinary share (2021: nil)	**174,943**	–
Final dividend proposed after the end of the reporting period of HK$0.084 per ordinary share (2021: HK$0.302)	**240,611**	865,561

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

(b) Share capital

	2022	2021
	No. of shares	No of shares
	'000	*'000*
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

	2022		2021	
	No. of shares '000	***HK$'000***	*No. of shares '000*	*HK$'000*
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	**3,026,883**	**5,784,673**	3,026,883	5,784,673
Isuued shares for exercise of warrants	**118,060**	**148,755**		
Cancellation of repurchased shares *(note i)*	**(277,020)**	**(272,030)**	–	–
At 31 December	**2,867,923**	**5,661,398**	3,026,883	5,784,673

Notes:

(i) Cancellation of repurchased shares

During the year ended 31 December 2022, the Company cancelled in aggregate of 277,020,000 (2021:nil) 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**"). On 6 January 2022, the Group approved the adoption of the 2022 restricted share unit scheme (the "**2022 RSU Scheme**") given the existing restricted share unit scheme to expire on 11 June 2022. The 2022 RSU Scheme shall be valid and effective for a period of 10 years commencing from the date of adoption of the 2022 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 2022, no RSU Award had been granted to grantees pursuant to the RSU Scheme. During the year ended 31 December 2021, the Company granted certain RSU Awards in respect of an aggregate of 72,123,434 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.

During the year ended 31 December 2021, the fair value of the granted ordinary shares was HK$28,757,000 based on the quoted price of the Company's shares on the grant date, of which HK$27,300,000 was credited to the employee share trusts based on the weighted average cost of the granted ordinary shares, and the balance of HK$1,457,000 was credited to the other reserve.

In addition, the Company has repurchased on-market in aggregate 33,728,878 of its own shares (2021: 51,401,230 shares) at a cash consideration of HK$49,221,000 (2021: HK$20,625,000) under the RSU Scheme during the year ended 31 December 2022.

CHAIRMAN'S STATEMENT

Dear Shareholders and colleagues,

Looking back at 2022, we forged ahead energetically and courageously in a complex and volatile market. Due to the complex and ever-changing international situation, the frequent occurrence of black swan events, coupled with the impact of pandemic resurgence and real estate policies in China, the coking coal market transformed from strong supply and weak demand to weak supply and demand in 2022, the raw material inventory of downstream coking steel enterprises remained at a low level, the price of coking coal fluctuated widely in the supply and demand game and shifted downwards. Facing such unexpected challenges, the Company benefited from the strategic advantages in its business layout, parallelly employed the eastern and western resource channels, simultaneously developed trading and integrated supply chain services, and finally achieved an annual revenue of HK$34,414 million and a net profit of HK$1,705 million, respectively.

In 2022, with the development of the Russia-Ukraine conflict, the import pattern of coking coal was reshaped. Mongolia and Russia emerged as the primary exporters of coking coal to China, from which contributed 73.02% of China's total coking coal import with total import volume of 46.61 million tonnes, and at the same time, other foreign countries shifted their focus of coking coal exports to markets other than China. In terms of demand, in 2022, the weak demand of downstream steel mills resulted in low enthusiasm for production and voluntary production reduction and limitation. Through continuously implementing the "global expansion strategy" and the sales strategy of "rolling sales", strictly controlling internal risks, and relying on global procurement resources, the Company has risen to the challenge and achieved an aggregate sales volume of approximately 11.35 million tonnes of coal, and has achieved a sales volume of approximately 4.18 million tonnes of Mongolian coal through our joint venture, Xianghui Energy, under such a severe external environment and volatile market. While grasping the advantages of global distribution channels of coking coal resources, the Company has improved our customer service capability and consumer loyalty to strengthen its market share, and to create a one-stop coking coal procurement platform.

It is particularly worth noting that our integrated supply chain services business which is another major strategic segment of the Company in addition to supply chain trading business, has benefited from the recovery of cross-border transportation volume between China and Mongolia, as well as the Company's long-term investment and layout in logistics infrastructure (including cross-border transportation between China and Mongolia, port warehousing, coal washing and processing and domestic railway and road transportation) over the years, achieving a significant growth in 2022. In particular, the Company's integrated supply chain services business recorded a revenue of HK$3,757 million, representing an increase of 282.59% as compared with HK$982 million in 2021.

- In 2022, benefiting from the active promotion and effective implementation of pandemic precautionary measures by the governments of China and Mongolia, Mongolian coal imports increased, which led to a surge in the number of customs clearance vehicles at the two major ports including Gants Mod Port and Ceke Port climbed.

- The Company's continuous investment in logistics infrastructure in strategic areas at Sino-Mongolia land ports since 2005 has equipped us with the irreplicable capabilities of the Company in terms of the cross-border clearance between China and Mongolia (including major land ports at Gants Mod, Ceke and Erlianhot), as well as matching port park warehousing and railway and road transportation capabilities. Cross-border transportation not only requires the Company to be equipped with the logistic infrastructure on one side of the ports in China, but also indispensable capabilities for accurate allocation of logistic assets across border in and out of China. As at the end of 2022, the Company has invested in fixed assets with a carrying value in a total amount of HK$4,400 million at Sino-Mongolia ports, including domestic and overseas depots, port logistics parks, self-built and leased railway platforms, railway self-provided vehicles, container trucks, containers, Automated Guided Vehicles (AGVs) and coal washing plants. By fully leveraging the ability of logistics resource integration, strong external despatching capabilities, and the sales capabilities of the coking coal trading team, the Company has moved ahead steadily and surely, so as to provide stable and extensive services for downstream coking steel customer clusters for a long time.

- Meanwhile, the Company actively promoted the change and improvement along the supply chain to achieve a business model driven by data. With our strategy of "three intelligence", namely, "intelligent logistics", "intelligent ports" and "intelligent customs clearance", the Company achieved connection between "road, railway, and warehouse", and built an Internet of logistics service system covering Inner Mongolia and surrounding areas as the core coverage area, and independently developed the "E-Link" smart logistics system, "E-Coking Coal" business and management system, "AGV TOS" cross-border logistics scheduling system, all of which have made breakthrough progress. Through connecting isolated business and data island and realising "data sharing, digital control", the Company is able to serve all participants along the commodity supply chain, and facilitate the management of transactions and business in all aspects more efficiently, thereby achieving a virtuous cycle of quality improvement and efficiency.

In the future, the Company will continue to focus on commodities trading business and integrated supply chain services business, with the strategy of "specialisation, internationalisation and digitalisation", to strengthen the advantages and highlights of the Company. In particular, in respect of the strategic development of land ports along China's borders, the Company will closely follow the development of Mongolia in terms of resources and transportation capacity, and in due course, carry out the development and construction of new ports, as well as investment in the supporting supply chain in the PRC to further expand our leading position in the supply chain business at land ports.

In light of the current stable business development and relatively abundant cash flow, the Company will continue the dividend policy by declaring a 2022 final dividend of approximately HK$241 million, and a total dividend of HK$416 million for the whole year of 2022. From 6 July 2022 to 16 January 2023, the Company continuously repurchased a total of 132,038,000 shares from the market, representing approximately 4.60% of the issued shares of the Company as at 16 January 2023, for a consideration of approximately HK$207 million.

The Company has always attached great importance to and actively performed the responsibility of improving global environmental and social governance, and adhered to the business philosophy of environment-friendliness and harmonious development by actively seeking efficient environmental protection and promoting clean and low-carbon development, to help to achieve the goal of carbon peak dioxide emissions and carbon neutrality. According to its business development, the Company has also continuously optimised its corporate governance structure, and established and maintained an adequate and effective risk management and internal control system based on the "three lines of defense". In addition, the Company has also actively shared its latest developments with investors in a timely manner, and insistently delivered corporate value to its shareholders.

Over the past year, we have witnessed the impact of uncertainty on the world, and we expect such uncertainty to continue as a new normal for the years to come. No matter what the market conditions may be, the Company remains true to its core values, and will focus on commodities trading and integrated supply chain services, to make every leap with the mentality of building a "century-old enterprise". We are determined to achieve new breakthroughs, deliver new achievements, and create new performance in the new journey, so as to sincerely bring returns to shareholders for their long-term support!

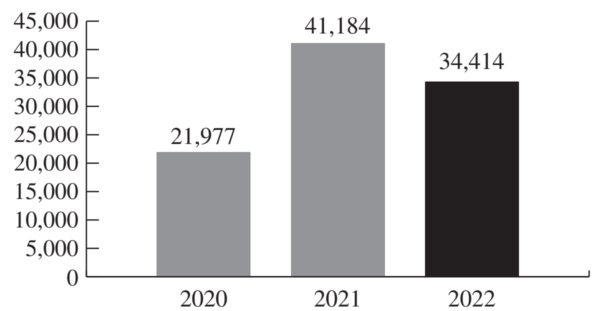
Cao Xinyi
Chairman
E-Commodities Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

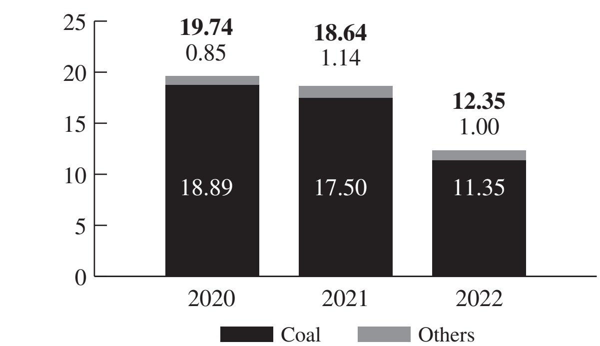
The following discussion and analysis should be read in conjunction with the Group's financial information and the notes thereto. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

I. Overview

Revenue* *(in HK$ million)*

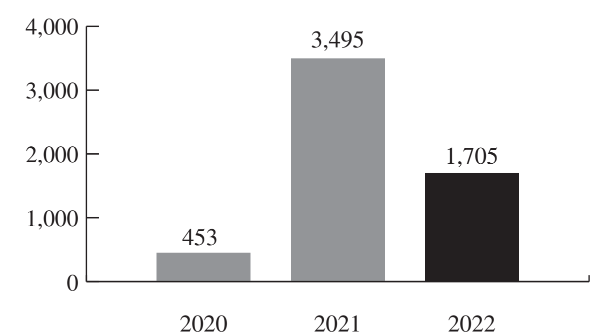


Supply Chain Trading Volume* *(million tonnes)*

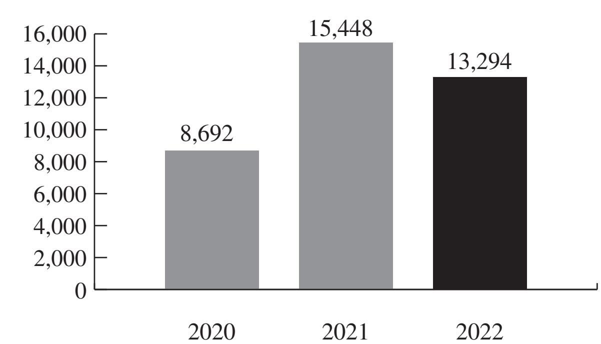


* *The revenue and trading volume of Mongolia coal trading business was transferred to and has been recording in Xianghui Energy Since October 2019.*

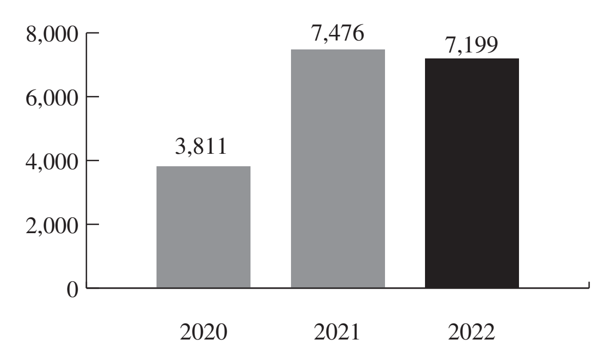
Net Profit *(in HK$ million)*



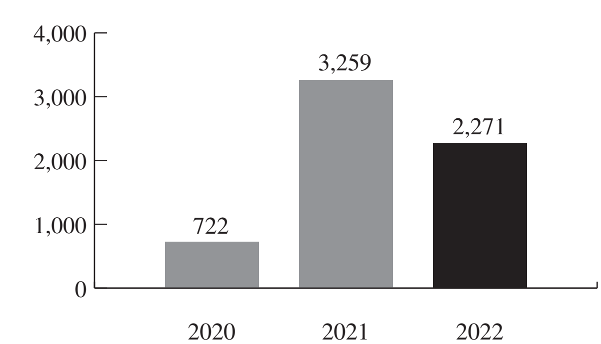
Total Assets *(in HK$ million)*



Total Equity *(in HK$ million)*



Cash Balance *(in HK$ million)*



II. Financial Review

1. Revenue Overview

In 2022, the Group recorded consolidated revenue of HK$34,414 million, representing a decrease of 16.44% compared to HK$41,184 million in 2021. The change was mainly due to:

i) In 2022, due to the impact of pandemic and complex and ever-changing international situation, the coking coal market transformed from strong supply and weak demand to a phase of dual weak supply and demand, and the downstream steel mills were less motivated to purchase and the international coking coal prices fluctuated widely. The Group adopted a cautious strategy trading according to the market trends with diversified procurement channels and trading strategies. The coal trading segment recorded a revenue of HK$26,927 million, representing a decrease of approximately 25.42% compared with 2021;

ii) Integrated supply chain services, which is another strategic segment of the Company in addition to supply chain trading, recorded a revenue of HK$3,757 million, representing an increase of 282.59% compared to the amount in 2021, mainly due to:

(a) the pandemic precautionary measures and the trade cooperation actively promoted and coordinated by the governments of China and Mongolia to ensure the smooth customs clearance of cargoes, leading to a significant increase in the volume of cargoes pass through China and Mongolia ports;

(b) the Company's continued layout of integrated supply chain service assets over the years paid off, leading to a growth in the integrated supply chain business; and

(c) the development of a digital intelligence platform and the establishment of a smart logistic park, which helped the integrated supply chain logistics business.

	2022	2021
	HK$'000	*HK$'000*
Disaggregated by major products or service lines		
– Coal	**26,927,042**	36,107,175
– Rendering of integrated supply chain services	**3,756,526**	981,618
– Oil and petrochemical products	**3,137,601**	3,007,881
– Iron ore	**515,550**	864,531
– Coke	**29,298**	112,097
– Nonferrous metals	**–**	51,396
– Others	**48,237**	58,903
	34,414,254	41,183,601

In 2022, sales revenue generated from outside of PRC (including Hong Kong, Macau and Taiwan) was HK$6,677 million, the proportion of revenue increased from 16.12% in 2021 to 19.40% in 2022, showing the great effort of the Group in global market expansion and market diversification. In 2022, the Group's oversea business geographic coverage includes South Korea, Indonesia, Netherlands, Malaysia, India, Mongolia, Japan and other countries.

	Revenues from external customers	
	2022	2021
	HK$'000	*HK$'000*
The PRC (including Hong Kong, Macau and Taiwan)	**27,737,415**	34,544,878
South Korea	**1,887,872**	1,920,205
Indonesia	**1,412,192**	164,250
Netherlands	**1,314,016**	134,492
Malaysia	**606,643**	236,604
India	**568,819**	1,618,948
Mongolia	**352,475**	225,804
Japan	**102,742**	806,783
Germany	**96**	223,968
Vietnam	**–**	859,353
Others	**431,984**	448,316
	34,414,254	41,183,601

In 2022, the sales from our top five customers accounted for 38.72% of our total sales, whereas the same ratio was 41.69% in 2021. These customers comprise not only large-scale, state-owned steel groups in China, but also other main global players in commodities and steel industry.

Supply Chain Trading

In 2022, our supply chain trading business sector recorded revenue of HK$30,610 million, representing approximately 88.95% of the total revenue. This revenue generates income by providing commodities trading services to our end customers, covering diversified commodities including, among others, coal products, oil and petrochemical products, iron ore and coke.

As compared to the great year of coking coal industry in 2021, 2022 was an extremely tough and challenging year. The Company has risen to challenges, and through continuously implementing the "global expansion strategy" and the sales strategy of "rolling sales", strictly controlling internal risks, and relying on global procurement resources, it achieved an aggregate sales volume of 11.35 million tonnes of coal, and also a sales volume of approximately 4.18 million tonnes (excluded from supply chain trading volume statistics) of Mongolian coal through our joint venture, Xianghui Energy. While grasping advantages of global distribution channels of coking coal resources, the Company has improved customer service capability and customer loyalty to strengthen market share, and to create a one-stop coking coal procurement platform.

Integrated Supply Chain Services

It is worth noting the Company's long-term investment in the logistic infrastructure at the Sino-Mongolia border was finally paid off in 2022.

In 2022, sales generated from integrated supply chain services was HK$3,757 million, representing a dramatic increase of 282.59% compared to approximately HK$982 million in 2021. Revenue generated from this business segment representing approximately 10.92% of the total revenue, a 8.54% increase compared to 2.38% in 2021. This was mainly due to the following factors:

i) the active promotion of the Chinese and Mongolian governments and the effective implementation of the pandemic prevention and control policies of the two countries, the customs clearance at the ports were increased and the volume of supply chain logistics business increased;

ii) the Automated Guided Vehicle (AGV) unmanned cross-border transportation vehicle implemented by the Company in the Sino-Mongolia Gants Mod Port had been officially operating in July 2022, and the Ceke Port and Erlianhot Port had also entered the trial operation and testing, which greatly improves the efficiency of customs clearance and transportation capacity;

iii) the Company's continuous investment in logistics infrastructure (including major land customs clearance ports in China and Mongolia such as Gants Mod Port, Ceke Port and Erlianhot Port) in strategic areas at Sino-Mongolia land ports has enabled us to have irreproducible logistic services capabilities between China and Mongolia, as well as the warehousing and railway and automobile transportation distribution capabilities between paired port parks. In addition, we are able to allocate the sales capacity of the coking coal trading team to serve the downstream steel customer cluster for a long time and stably.

Business Prospects

In the future, the Company will continue focus on commodities trading business and integrated supply chain services business, with the strategy of "specialisation, internationalisation and digitalisation", to strength the advantages and highlights of the Company. In particular, in respect of strategy of land ports along China's borders, the Company will closely follow the development of Mongolia in terms of resources and transportation capacity, and in due course, carry out the development and construction of new ports, as well as investment in the supporting supply chain in the PRC, to further expand our leading position in the supply chain business at land ports.

2. *Cost of Sales and Procurement*

The Group recorded cost of sales of HK$31,216 million in 2022, representing a decrease of 11.69% compared to HK$35,350 million in 2021, which was mainly due to decreased procurement volume. In 2022, the procurement volume was approximately 11.77 million tonnes compared to procurement volume of approximately 18.12 million tonnes in 2021, representing a 35.04% decrease.

The below table lists our procurement details for different types of commodities. 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.

	2022		2021	
Procurement	**Procurement volume** *'000 tonnes*	**Procurement amounts** *HK$'000*	Procurement volume *'000 tonnes*	Procurement amounts *HK$'000*
Coal	**10,782**	**23,079,525**	16,950	31,576,509
Oil and petrochemical products	**374**	**3,106,771**	423	2,961,928
Iron ore	**600**	**500,708**	711	908,256
Coke	**14**	**41,618**	32	107,174
Others	**–**	**–**	2	51,059
	11,769	**26,728,622**	18,118	35,604,926

In 2022, the total procurement amount was HK$26,729 million, of which the top five suppliers accounted for 30.81%. No Director or their close associates (as defined under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), or shareholders of the Company owning more than 5% of the issued shares in the Company, has any interest in suppliers.

3. Operating Gross Profit

The Group recorded an operating gross profit of HK$3,090 million in 2022, representing a decrease of 45.59% compared to an operating gross profit of HK$5,679 million recorded in 2021. The decrease in operating gross profit was mainly due to the decreased operating gross profit generated from coal. The operating gross profit margin was 8.98% in 2022. Compared with the operating gross profit margin of 13.79% under extraordinary market conditions in 2021, it is still at a relative high level compared with the operating gross profit margin from 2018 to 2020, which were 4.33%, 3.21% and 6.31%, respectively.

4. Administrative Expenses

The Group recorded administrative expenses of HK$947 million in 2022, representing a decrease of 36.36% compared to HK$1,488 million of administrative expenses incurred in 2021. This was mainly due to the decrease in the accrued bonus in 2022 caused by a decrease in trading profit. 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.

	2022	2021
	HK$'000	*HK$'000*
Staff costs	**637,401**	1,235,104
Impairment losses on trade and other receivables	**56,395**	12,817
Others	**253,485**	240,150
	947,281	1,488,071

5. Other Operating Income/(Expenses), Net

	2022	2021
	HK$'000	*HK$'000*
(Loss) on disposal of property, plant and equipment, net	**2,038**	(4,972)
Net realised and unrealised gain/(loss) on derivative financial instruments	**(81,260)**	175,950
Others	**(3,047)**	(10,624)
	(82,269)	160,354

Net realised and unrealised gain/(loss) on derivative financial instruments represented mainly the net gain or loss from commodity futures contracts entered into by the Group during the year ended 31 December 2022 and 2021. In 2022, the net other operating expensed of HK$82 million were mainly due to a loss of HK$83 million on futures, where the Company used futures derivatives to hedge and reduce exposure to market price fluctuation.

6. Net Finance Costs

The Group recorded net finance costs of HK$217 million in total in 2022, compared to net finance costs of HK$200 million in 2021. Finance income increased by 52.17% compared with 2021, finance costs increased by 13.51% compared with 2021. The net finance costs increased by 8.50%. The slight increase was mainly because of the foreign exchange losses as a result of exchange rate fluctuations and fair value adjustments from exercise of warrants. Net finance costs did not change materially year-on-year.

	2022	2021
	HK$'000	*HK$'000*
Interest income on financial assets measured at amortised cost	**(34,733)**	(22,681)
Finance income	**(34,733)**	(22,681)
Interest on secured bank loans	**24,503**	39,281
Interest on other interest-bearing borrowings	**20,688**	27,153
Interest on discounted bills receivables	**33,066**	40,804
Interest on lease liabilities	**24,929**	19,120
Total interest expense	**103,186**	126,358
Bank and other charges	**14,340**	24,807
Changes in fair value on warrants	**8,782**	62,763
Foreign exchange loss, net	**125,458**	8,265
Finance costs	**251,766**	222,193
Net finance costs	**217,033**	199,512

7. *Profit attributable to Equity shareholders of the Company and Earnings per Share*

The profit attributable to equity shareholders of the Company was HK$1,666 million in 2022, compared to profit attributable to equity shareholders of the Company of HK$3,462 million in 2021. For details of reasons for such decrease, please refer to section "Revenue Overview" above.

Both basic and diluted earnings per share were HK$0.594 in 2022, in comparison, basic and diluted earnings per share for 2021 were HK$1.151 and HK$1.128, respectively.

8. Impairment of Non-Current Assets

The Company has been committed to providing customers with integrated supply chain services, and continuing to strengthen Sino-Mongolia coal transportation capacities. The Company further expanded the integrated supply chain services to Mongolia in early 2019 and upgraded traditional bulk cargo transportation to container transportation, which not only met the environmental protection requirements of the Chinese and Mongolian governments, but also made progress in cost reduction, efficiency improvement, and number of customs clearances. As the COVID- 19 situation improved in China, the Company continued to increase cross-border vehicle and container investments in the second half of 2020. However, since the outbreak of the pandemic in Mongolia began at the end of 2020 and continued to intensify in 2021, both Chinese and Mongolian governments have implemented stricter border control measures. This caused a decrease in the number of cross-border customs clearance vehicles between China and Mongolia, resulting in a decline in the Company's vehicle utilization rate. As such, the Company has recorded an impairment loss of HK$177 million to certain of the Company's vehicles in 2021.

In 2022, with the increase of vehicle utilization, the Company re-evaluated the value of the vehicle. According to the evaluation result, the Company recorded impairment reversals of HK $46 million to certain of the Company's vehicles in 2022.

In addition, an impairment loss of HK$16 million for a land use right has been charged to the consolidated statement of profit or loss during the year ended 31 December 2022 on the basis that one land of the Group in Mongolia was suspended and currently had no development plan.

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$11,065 million and net profit of HK$276 million during 2022.

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

Gross amounts of the associate	**2022**	2021
	HK$'000	*HK$'000*
Current assets	**4,282,231**	4,030,300
Non-current assets	**13,561**	7,444
Current liabilities	**1,743,791**	1,397,831
Non-current liabilities	**1,063**	–
Equity	**2,550,938**	2,639,913
Revenue	**11,065,051**	6,783,055
Profit for the year	**276,304**	229,146
Other comprehensive income	**(167,907)**	17,365
Total comprehensive income	**108,397**	246,511
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**2,550,938**	2,639,913
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**1,249,960**	1,293,557

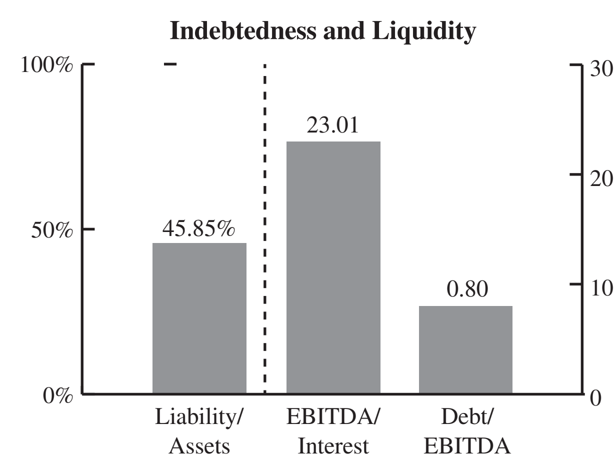
On 3 October 2022, the Company acquired 30% equity interest of TTJV Co. LLC. from one of the shareholders of TTJV Co. LLC. with the consideration of USD24 million. TTJV Co. LLC. commenced operation in March 2012. The investment in TTJV Co. LLC. enables the Group to extend to the upstream of the integrated supply chain services. TTJV Co. LLC. recorded revenue of HK$108 million and net profit of HK$6 million during 2022.

Summarised financial information of TTJV Co. LLC. reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

Gross amounts of the associate	**2022**
	HK$'000
Current assets	**264,614**
Non-current assets	**416,762**
Current liabilities	**105,605**
Non-current liabilities	**–**
Equity	**575,771**
Revenue	**108,435**
Profit for the year	**5,987**
Other comprehensive income	**(54,903)**
Total comprehensive income	**(48,916)**
Reconciled to the Group's interest in the associate	
Gross amounts of net assets of the associate	**575,771**
Group's effective interest	**30%**
Group's share of net assets of the associate	**172,731**

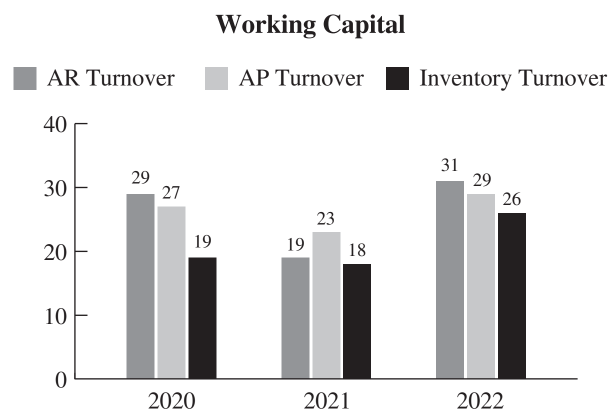
10. *Indebtedness and Liquidity*

The total amount of bank loans owed by the Group at the end of 2022 was HK$968 million. Interest rates on these loans range from 1.40% to 8.90% per annum, whereas the range in 2021 was from 0.70% to 11.35%. The Group's gearing ratio at the end of 2022 was 45.85%, which was a decrease compared to 51.60% at the end of 2021. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.



11. *Working Capital*

Our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 31 days, 29 days, and 26 days, respectively, in 2022. As a result, the overall cash conversion cycle was approximately 28 days in 2022, which was 14 days longer than the Group's cash conversion cycle in 2021.



12. *Pledge of Assets*

At 31 December 2022, bank loans amounting to HK$130,758,000 (31 December 2021: HK$124,756,000) had been secured by credit guarantee with a guarantee amount of HK$130,758,000 (31 December 2021: HK$124,756,000) provided by subsidiaries of the Group.

At 31 December 2022, bank loans amounting to HK$295,105,000 (31 December 2021: HK$218,271,000) together with bills payable amounting to HK$110,213,000 (31 December 2021: HK$183,225,000) had been secured by restricted bank deposits with an aggregate carrying value of HK$22,439,000 (31 December 2021:HK$91,613,000), property, plant and equipment with an aggregate carrying value of HK$338,514,000 (31 December 2021: HK$230,140,000), and land use rights with an aggregate carrying value of HK$142,822,000 (31 December 2021: HK$255,503,000).

At 31 December 2022, bank loans amounting to HK$472,429,000 (31 December 2021: HK$931,063,000) had been secured by bills receivable with an aggregate carrying value of HK$472,429,000 (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).

At 31 December 2022, bank loans amounting to HK$69,384,000 (31 December 2021: HK$93,570,000) had been secured by restricted bank deposits with an aggregate carrying value of HK$72,353,000 (31 December 2021: HK$99,201,000).

At 31 December 2022, bills payable amounting to HK$921,595,000 (31 December 2021: HK$653,086,000) had been secured by restricted bank deposits with an aggregate carrying value of HK$574,728,000 (31 December 2021: HK$377,012,000), bills receivable with an aggregate carrying value of HK$259,401,000 (31 December 2021: HK$282,244,000) and accounts receivable with an aggregate carrying value of HK$173,746,000 (31 December 2021: HK$nil).

At 31 December 2022, lease liabilities amounting to HK$180,712,000 (31 December 2021: HK$24,336,000) have been secured by property, plant and equipment with an aggregate carrying value of HK$97,597,000 (31 December 2021: HK$51,863,000), land use rights with an aggregate carrying value of HK$38,243,000 (31 December 2021: HK$25,477,000).

13. Cash Flow

In 2022, our operating cash inflow was HK$2,172 million compared to HK$2,758million cash inflow during 2021. The net cash inflow from operating activities was mainly contributed from net cash inflow of cash profit of HK$2,419 million.

In 2022, the Group paid a cash outflow from investing activities of HK$752 million compared to HK$456 million cash outflow during 2021. The net cash outflow was mainly due to investment in logistics assets and ancillary facility of approximately HK$633 million.

In 2022, the Group had a cash outflow from financing activities of HK$2,112million compared to HK$153 million cash inflow during 2021. The cash outflow from financing activities was mainly attributable to cash outflow of dividend in the amount of approximately HK$1,059million, share repurchases in the amount of approximately HK$326 million and lease asset repayments in the amount of approximately HK$204 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:

	2022[(1)]	**Adjustments**	**Adjusted 2022[(2)]**
	HK$'000	***HK$'000***	***HK$'000***
Cash and cash equivalents at 1 January	**3,259,393**		**3,259,393**
Net cash generated from operating activities	**2,172,193**	**(620,697)**	**1,551,496**
Net cash (used in)/generated from investing activities	**(752,482)**	**166,015***	**(586,467)**
Net cash (used in)/generated from financing activities	**(2,111,708)**	**454,682****	**(1,657,026)**
Effect of foreign exchange rate changes	**(296,430)**		**(296,430)**
Cash and cash equivalents at 31 December	**2,270,966**		**2,270,966**

Notes:

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

(2) Illustrative purpose only.

* Full margin deposit for bills payable

** Discounted bills and bill pledged loans

III. Working Capital and Financial Policy

The Group managed its funds by pre-planning and real-time monitoring measures. The Group raised funds through business activities, discount of bills receivable, factoring of accounts receivable, banking facilities from domestic and overseas banks, and bond financing, so as to ensure funding for business operations, loan repayments and capital expenditure. In 2022, 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 were United States dollars ("**USD**") and Renminbi ("**RMB**"). 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 the Company currently believes may materially affect its performance and/or financial condition. However, this should not be taken as an exhaustive list as there may be additional risks and uncertainties not currently known to the Company, or those which are currently deemed to be immaterial, but may become material in the future and which may adversely affect the Group's business, results of operations, financial condition and prospects.

1. Volatility of Commodities Prices

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

2. Dependence upon the Steel Industry

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

3. Liquidity risk

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

4. Currency risk

Over 63.07% of the Group's revenue in 2022 was denominated in RMB. Over 53.78% 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.

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 2022, the Company has subsidiaries and branch offices in PRC (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 2022, there were 1,844 full-time employees in the Group (excluding 756 dispatch staff from domestic subsidiaries). The breakdown of employee categories is as follows:

	2022		2021	
Functions	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Management, Administration & Finance	**175**	**10%**	120	7%
Front-line Production & Production Support & Maintenance	**64**	**3%**	48	3%
Sales & Marketing	**142**	**8%**	95	5%
Others (incl. Projects and Transportation)	**237**	**13%**	197	11%
Cargo Truck Drivers (Mongolia)	**1,226**	**66%**	1,289	74%
Total	**1,844**	**100%**	1,749	100%

2. *Employee Education Overview*

	2022		2021	
Qualifications	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Master & above	**55**	**3%**	49	3%
Bachelor	**356**	**19%**	231	13%
Diploma	**71**	**4%**	50	3%
High-School, Technical School & below	**1,362**	**74%**	1,419	81%
Total	**1,844**	**100%**	1,749	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 2022, the Company held various training programs totaling 271 hours, and over 3,513 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

	2022		2021	
Training Courses	**No. of hours**	**No. of participants**	No. of hours	No. of participants
Safety	**76**	**1,995**	54	1,010
Management & Leadership	**116**	**905**	445	451
Operation Excellence	**79**	**613**	30	86
Total	**271**	**3,513**	529	1,547

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 2022.

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 2022 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 2022 ESG report of the Company.

VII. Final Dividends

A final dividend in cash of HK$0.084 per share, totalling approximately HK$241 million, has been declared for the year ended 31 December 2022. The final dividend would be payable to the shareholders of the Company subject to the approval of the shareholders of Company at the forthcoming annual general meeting. The final dividend is expected to be paid by no later than 8 September 2023. The dates for closure of register of members of the Company for ascertaining shareholders' entitlement to the final dividend will be further announced.

VIII. Compliance With the CG Code

Throughout the year ended 31 December 2022, the Company complied with the code provisions (the "**Code Provisions**") under the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**"), except for the deviation from the Code Provision C.2.1 which requires that the roles of chairman and chief executive should 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 of the Company 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 from the CG Code, the Company fully complied with all the Code Provisions throughout the year ended 31 December 2022.

IX. Model Code for Securities Transactions by Directors of the Company

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

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

As at 31 December 2022, the Company had a total of 2,867,922,962 shares in issue. The Company repurchased a total of 239,108,000 shares and 6,390,000 shares on the Stock Exchange during the year ended 31 December 2022 and January 2023, respectively, among which 113,460,000 repurchased shares were cancelled in 2022 and 132,038,000 repurchased shares will be cancelled in 2023.

XI. Other Information and Subsequent to the Reporting Date

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 approximately HK$77,211,636.32 and the net proceeds from the issue of Warrant Shares, after deducting related fees and expenses, were approximately 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.

Provision of Counter-Guarantees

On 20 April 2022, the Company and Xiamen Xiangyu Joint Stock Company Limited ("**Xiangyu Joint Stock**") entered into the counter-guarantee contract, pursuant to which the Company agreed to provide the counter-guarantee ("**Counter-Guarantee April 2022**") in favour of Xiangyu Joint Stock in proportion to its 49% equity interest in Xianghui Energy (Xiamen) Co., Ltd. ("**Xianghui Energy**"), pursuant to which the Counter-Guarantee April 2022 is for the amount drawn down on the banking facilities together with any interest accrued thereon, any penalties, compensation and other related fees and expenses which may be payable by Xiangyu Joint Stock as contemplated under the bank guarantee contract provided by Xiangyu Joint Stock in favour of the designated bank in an aggregate amount of up to RMB160 million. Xiangyu Joint Stock is a substantial shareholder of Inner Mongolia E-35 Technology Co., Ltd. ("**Inner Mongolia E-35**") and Inner Mongolia Haotong Environmental Technology Co., Ltd. ("**Haotong Environmental Technology**"), both are indirect non-wholly owned subsidiaries of the Company, therefore, Xiangyu Joint Stock is a connected person of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules. As a result, the provision of Counter-Guarantee April 2022 constituted connected transaction of the Company under Chapter 14A of the Listing Rules. Further details in respect of the provision of Counter-Guarantee April 2022 are set out in the Company's announcement dated 20 April 2022.

On 7 September 2022, the Company and Xiangyu Joint Stock entered into another counter-guarantee contract, pursuant to which the Company agreed to provide the counter-guarantee (the "**Counter-Guarantee September 2022**") in favour of Xiangyu Joint Stock in proportion to its 49% equity interest in Xianghui Energy, pursuant to which the Counter-Guarantee September 2022 is for an aggregate amount of up to RMB194.04 million representing proportionate guaranteed amount together with any interests accrued thereon, any penalties, compensation and other related fees and expenses which may be payable by Xiangyu Joint Stock as contemplated under the relevant bank guarantee contract provided by Xiangyu Joint Stock in favour of the designated bank. As aforementioned, Xiangyu Joint Stock is a connected person of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules. As a result, the provision of Counter-Guarantee September 2022 constituted connected transaction of the Company under Chapter 14A of the Listing Rules. Further details in respect of the provision of Counter-Guarantee September 2022 are set out in the Company's announcement dated 7 September 2022.

On 7 November 2022, the Company and Xiangyu Joint Stock entered into a third counter-guarantee contract, pursuant to which the Company agreed to provide the counter-guarantee (the "**Counter-Guarantee November 2022**") in favour of Xiangyu Joint Stock in proportion to its 49% equity interest in Xianghui Energy, pursuant to which the Counter-Guarantee November 2022 is for an aggregate amount of up to RMB269.5 million representing proportionate guaranteed amount together with any interest accrued thereon, any penalties, compensation and other related fees and expenses which may be payable by Xiangyu Joint Stock as contemplated under the relevant bank guarantee contracts provided by Xiangyu Joint Stock in favour of the designated banks. As aforementioned, Xiangyu Joint Stock is a connected person of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules. As a result, the provision of Counter-Guarantee November 2022 constituted connected transaction of the Company under Chapter 14A of the Listing Rules. Further details in respect of the provision of Counter-Guarantee November 2022 are set out in the Company's announcement dated 7 November 2022.

Entering into the Tenancy Agreements

On 30 June 2022, E-Commodities (Guangdong) Supply Chain Management Co., Ltd.* (易大宗（廣東）供應鏈管理有限公司) ("**E-Commodities Guangdong**"), a subsidiary of the Company, entered into a tenancy agreement with Mr. Wang Xingchun ("**Mr. Wang**"), as landlord, pursuant to which Mr. Wang agreed to lease the Relevant Premises (i.e. Premise A, Premise B, Premise C and Premise D) to E-Commodities Guangdong (as the tenant) for a term of 36 months commencing from 1 July 2022 and ending on 30 June 2025 (both days inclusive), provided that, with respect to the Premises A, subject to the delivery date of the Premises A, the actual commencement date shall be notified by the Mr. Wang and agreed by E-Commodities Guangdong in writing. The rent for Premise A, Premise B, Premise C and Premise D is RMB14,946, RMB258,128, RMB257,591 and RMB114,240 per months (after taxation), respectively. Mr. Wang is the father of Ms. Wang Yihan ("**Ms. Wang**"), the controlling shareholder of the Company, therefore, Mr. Wang is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the transaction contemplated under the tenancy agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details in respect of the tenancy agreement are set out in the Company's announcement dated 30 June 2022.

On 30 September 2022, E-Commodities Japan Co., Ltd.* ("**E-Commodities Japan**"), a subsidiary of the Company, entered into a tenancy agreement with North Energy Co., Ltd., ("**Landlord**"), pursuant to which the Landlord agreed to lease the Relevant Premise to E-Commodities Japan (as the tenant) for a term of 36 months commencing from 1 October 2022 and for a rent for JPY565,000 per month (equivalent to approximately HK$30,689.11). The Landlord is a subsidiary owned as to 80% by Ms. Wang and constitutes an associate of Ms. Wang, therefore, the Landlord is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transaction contemplated under the tenancy agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details in respect of the tenancy agreement are set out in the Company's announcement dated 30 September 2022.

Capital Reduction of Xianghui Energy

On 11 December 2022, Beijing E-Daotong Import and Export Co., Ltd.* (北京易道通進出口有限公司) ("**Beijing E-Daotong**"), Xiangyu Joint Stock and Xianghui Energy entered into the capital reduction agreement, pursuant to which the registered capital of Xianghui Energy will be reduced from RMB2 billion to RMB1.2 billion, while Beijing E-Daotong and Xiangyu Joint Stock agreed to reduce their respective subscribed registered capital in proportion to their respective equity interest in Xianghui Energy. Upon the completion of the capital reduction, the percentage of equity interest in Xianghui Energy held by Beijing E-Daotong will remain unchanged, representing 49% of the equity interest in Xianghui Energy. As aforementioned, Xiangyu Joint Stock is a connected person of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules. As a result, transaction contemplated under the capital reduction agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details in respect of the capital reduction are set out in the Company's announcement dated 12 December 2022.

Entering into the Consultancy Agreement

On 30 December 2022, the Company and Mr. Wang as the senior strategy consultant entered into the consultancy agreement in relation to the provision of, on an exclusive basis, consultation and advisory services to the Company in relation to the development and construction of infrastructures and the related facilities for the Company's business operation along the Chinese port areas for a term of three years commencing from 1 January 2023 and ending on 31 December 2025. Under the consultancy agreement, the Company shall pay an annual service fees in Hong Kong dollars equivalent to US$1,000,000 on a monthly basis. Mr. Wang is the father of Ms. Wang, therefore, Mr. Wang is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the transactions contemplated under the consultancy agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Further details in respect of the consultancy agreement are set out in the Company's announcement dated 30 December 2022.

The Mutual Supply Framework Agreement signed in 2021

On 31 December 2021, the Company and Xiangyu Joint Stock entered into a mutual supply framework agreement (the "**Mutual Supply Framework Agreement**") in relation to the supply of certain products (the "**E-Commodities Products**"), and the provision of certain services (the "**E-Commodities Services**"), by the Group to Xiangyu Joint Stock and its subsidiaries ("**Xiamen Xiangyu**"), and the supply of certain products (the "**Xiangyu Products**"), and the provision of certain services (the "**Xiangyu Services**"), by Xiamen Xiangyu to the Group, for a term of 3 years commencing from 1 January 2022 and ending on 31 December 2024. As Xiamen Xiangyu is a substantial shareholder of Inner Monoglia E-35 and Haotong Environmental Technology, both indirect non-wholly owned subsidiaries of the Company, therefore, Xiamen Xiangyu constitutes a connected person of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules. As a result, the transactions contemplated under the Mutual Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Further details of the Mutual Supply Agreement are set out below and the Company's announcement dated 31 December 2021.

Save as disclosed in this announcement and as at the date of this announcement, there were no other significant events that might affect the Group since 31 December 2022.

XII. Review of Annual Results

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2022.

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

This annual results announcement is published on the websites of the Company (www.e-comm.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 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, 22 March 2023

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.

* *For identification purpose only*