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E-COMMODITIES HOLDINGS LIMITED

易大宗控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1733)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the “**Board**”) of E-Commodities Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”) together with comparative figures for the same period in 2022.

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2023 was HK\$18,512 million.
- Gross profit for the six months ended 30 June 2023 was HK\$1,327 million.
- Profit for the six months ended 30 June 2023 was HK\$895 million.
- Profit attributable to equity shareholders of the Company (the “**Shareholder(s)**”) for the six months ended 30 June 2023 was HK\$845 million.
- Both basic earnings per share of the Company (the “**Share**”) and diluted earnings per share for the six months ended 30 June 2023 were HK\$0.314.
- An interim dividend in cash of HK\$0.078 per share or approximately HK\$211 million has been declared for the six months ended 30 June 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2023 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
Revenue	4	18,512,471	16,782,124
Cost of sales		<u>(17,185,723)</u>	<u>(15,325,474)</u>
Gross profit		1,326,748	1,456,650
Other revenue		27,158	22,782
Distribution costs		(62,353)	(99,018)
Administrative expenses		(384,483)	(366,037)
Other operating income/(expenses), net	5	153,571	(49,841)
Impairment of non-current assets	6(c)	<u>–</u>	<u>(19,200)</u>
Profit from operations		<u>1,060,641</u>	<u>945,336</u>
Finance income	6(a)	27,288	14,193
Finance costs	6(a)	<u>(54,210)</u>	<u>(169,105)</u>
Net finance costs		<u>(26,922)</u>	<u>(154,912)</u>
Share of profits of associates	9	44,079	56,824
Share of losses of joint ventures		<u>(4,768)</u>	<u>(2,169)</u>
Profit before taxation		1,073,030	845,079
Income tax	7	<u>(178,114)</u>	<u>(124,003)</u>
Profit for the period		<u>894,916</u>	<u>721,076</u>
Attributable to:			
Equity shareholders of the Company		844,604	703,305
Non-controlling interests		<u>50,312</u>	<u>17,771</u>
Profit for the period		<u>894,916</u>	<u>721,076</u>
Earnings per share			
Basic and diluted (HK\$)	8	<u>0.314</u>	<u>0.246</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period	894,916	721,076
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(2,537)	(4,886)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	(187,697)	(285,362)
Other comprehensive income for the period	(190,234)	(290,248)
Total comprehensive income for the period	704,682	430,828
Attributable to:		
Equity shareholders of the Company	666,178	417,376
Non-controlling interests	38,504	13,452
Total comprehensive income for the period	704,682	430,828

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 – unaudited

(Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 June 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment, net		1,492,854	1,254,936
Right-of-use assets		885,580	872,102
Construction in progress		210,651	395,694
Intangible assets		102,141	115,061
Interests in associates	9	916,996	1,427,870
Interests in joint ventures		96,572	75,838
Other investments in equity securities		96,884	92,235
Deferred tax assets		50,778	55,207
Other non-current assets	10	433,355	81,792
Total non-current assets		<u>4,285,811</u>	<u>4,370,735</u>
Current assets			
Inventories	11	1,019,193	1,749,316
Trade and other receivables	12	3,901,969	4,043,068
Restricted bank deposits		1,003,768	860,107
Cash and cash equivalents		2,959,273	2,270,966
Total current assets		<u>8,884,203</u>	<u>8,923,457</u>
Current liabilities			
Secured bank loans	15	572,495	890,260
Trade and other payables	13	3,812,356	3,674,994
Other interest-bearing borrowings	9	–	438,844
Lease liabilities		289,453	232,755
Income tax payable		42,249	140,295
Provisions	14	293,872	292,849
Total current liabilities		<u>5,010,425</u>	<u>5,669,997</u>
Net current assets		<u>3,873,778</u>	<u>3,253,460</u>
Total assets less current liabilities		<u>8,159,589</u>	<u>7,624,195</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*at 30 June 2023 – unaudited**(Expressed in Hong Kong dollars)*

	<i>Note</i>	At 30 June 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
Non-current liabilities			
Secured bank loans		128,183	77,415
Lease liabilities		327,341	256,230
Deferred income		44,048	48,980
Deferred tax liabilities		<u>72,638</u>	<u>42,700</u>
Total non-current liabilities		<u>572,210</u>	<u>425,325</u>
NET ASSETS		<u>7,587,379</u>	<u>7,198,870</u>
CAPITAL AND RESERVES			
Share capital	<i>16(b)</i>	5,420,519	5,661,398
Reserves		<u>1,881,472</u>	<u>1,257,316</u>
Total equity attributable to equity shareholders of the Company		7,301,991	6,918,714
Non-controlling interests		<u>285,388</u>	<u>280,156</u>
TOTAL EQUITY		<u>7,587,379</u>	<u>7,198,870</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

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

2 BASIS OF PREPARATION

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

The financial statements has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This financial statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the IASB.

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

The financial information relating to the financial year ended 31 December 2022 that is included in the financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

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

3 CHANGES IN ACCOUNTING POLICIES

New and amended IFRSs

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

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

The Group is principally engaged in the processing and trading of coal and other products and providing integrated supply chain services. Revenue represents the sales value of goods sold, net of value added tax and other sales taxes and is after any trade discounts, and revenue from providing integrated supply chain services.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Coal	14,061,455	13,066,549
– Rendering of integrated supply chain services	3,072,510	1,309,839
– Oil and petrochemical products	1,106,862	2,148,553
– Iron ore	194,140	233,535
– Coke	27,025	16,582
– Others	50,479	7,066
	<u>18,512,471</u>	<u>16,782,124</u>

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Disaggregated by geographical location of customers		
– The PRC (including Hong Kong, Macau and Taiwan)	14,430,553	12,105,899
– Indonesia	998,118	797,403
– India	639,504	394,378
– South Korea	589,833	1,615,422
– Malaysia	588,303	608,426
– Vietnam	447,112	–
– Mongolia	342,706	7,971
– Netherlands	338,219	999,478
– Japan	138,123	291
– Brazil	–	252,856
	<u>18,512,471</u>	<u>16,782,124</u>

For the six months ended 30 June 2023, among the Group's revenue from the trading of coal and other products, products totalling HK\$466,806,000 (six months ended 30 June 2022: HK\$700,557,000) were traded under framework contracts signed with certain third party companies pursuant to which those third party companies acted as agents of the Group to sign sale and purchase contracts with customers and suppliers whilst the Group were responsible for identifying customers and suppliers and negotiating and determining the price, quantity of the commodities and transportation and payment terms with customers and suppliers, respectively.

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

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

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

	Processing and trading of coal and other products		Rendering of integrated supply chain services		Total	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June						
Disaggregated by timing of revenue recognition						
Point in time	15,439,961	15,472,285	2,684,732	1,125,187	18,124,693	16,597,472
Over time	–	–	387,778	184,652	387,778	184,652
Revenue from external customers	15,439,961	15,472,285	3,072,510	1,309,839	18,512,471	16,782,124
Inter-segment revenue	–	–	444,286	316,850	444,286	316,850
Reportable segment revenue	15,439,961	15,472,285	3,516,796	1,626,689	18,956,757	17,098,974
Reportable segment profit (adjusted EBITDA)	394,581	550,788	897,697	583,611	1,292,278	1,134,399
Interest income	21,773	13,209	5,515	984	27,288	14,193
Interest expense	(20,973)	(37,372)	(17,581)	(13,675)	(38,554)	(51,047)
Depreciation and amortisation	(32,891)	(36,079)	(137,818)	(86,750)	(170,709)	(122,829)
Impairment of non-current assets	–	–	–	(19,200)	–	(19,200)
(Provision for)/reversal of impairment losses on trade and other receivables	(30,986)	7,965	9,369	(344)	(21,617)	7,621
Additions to non-current segment assets during the period	312,892	21,005	407,443	242,649	720,335	263,654
As at 30 June/31 December						
Reportable segment assets (including interest in associates and joint ventures)	10,411,636	10,436,091	3,965,028	3,939,411	14,376,664	14,375,502
Reportable segment liabilities	5,597,928	5,632,520	1,127,248	1,416,324	6,725,176	7,048,844

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

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Reportable segment profit	1,292,278	1,134,399
Depreciation and amortisation	(170,709)	(122,829)
Net finance costs	(26,922)	(154,912)
Impairment of non-current assets	–	(19,200)
(Provision for)/reversal of impairment losses on trade and other receivables	(21,617)	7,621
	<u>1,073,030</u>	<u>845,079</u>
Consolidated profit before taxation	<u>1,073,030</u>	<u>845,079</u>

5 OTHER OPERATING INCOME/(EXPENSES), NET

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Net realised and unrealised gain/(loss) on derivative financial instruments (<i>note</i>)	133,583	(59,343)
Others	19,988	9,502
	<u>153,571</u>	<u>(49,841)</u>

Note:

Net realised and unrealised gain/(loss) on derivative financial instruments mainly represented the net gain or loss from commodity futures contracts entered into by the Group during the period ended 30 June 2023 and 2022.

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interest income	<u>(27,288)</u>	<u>(14,193)</u>
Finance income	<u>(27,288)</u>	<u>(14,193)</u>
Interest on discounted bills receivable	12,709	16,244
Interest on secured bank loans	9,506	13,312
Interest on other interest-bearing borrowings	–	12,268
Interest on lease liabilities	<u>16,339</u>	<u>9,223</u>
Total interest expense	38,554	51,047
Bank and other charges	12,938	6,878
Changes in fair value on warrants	–	8,782
Foreign exchange loss, net	<u>2,718</u>	<u>102,398</u>
Finance costs	<u>54,210</u>	<u>169,105</u>
Net finance costs	<u>26,922</u>	<u>154,912</u>

(b) Staff costs

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Salaries, wages, bonus and other benefits	382,681	447,771
Contributions to defined contribution retirement plan	<u>7,409</u>	<u>5,911</u>
	<u>390,090</u>	<u>453,682</u>

During the six months ended 30 June 2023, staff costs of the Group included accrued bonus of HK\$85,360,000 (six months ended 30 June 2022: HK\$110,568,000) 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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Amortisation and depreciation		
– property, plant and equipment	92,693	83,145
– right-of-use assets	72,558	36,348
– intangible assets	5,458	3,336
Provision for/(reversal of) impairment loss on trade and other receivables	21,617	(7,621)
Impairment of non-current assets		
– interests in a joint venture	–	19,200
Cost of inventories		
– carrying amount of inventories sold	14,906,517	14,410,799
– write-down of inventories	90,599	295,212

7 INCOME TAX

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current tax-Hong Kong Profits Tax		
Provision for the period	2,376	30,652
Current tax-Outside of Hong Kong		
Provision for the period	135,315	159,289
Under-provision in respect of prior years	6,056	830
Deferred Tax		
Origination and reversal of temporary differences	34,367	(66,768)
	<u>178,114</u>	<u>124,003</u>

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

The provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the period.

The provision for PRC current income tax is based on a statutory rate of 25% (2022: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

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

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2023 is based on profit attributable to equity shareholders of the Company of HK\$844,604,000 (six months ended 30 June 2022: HK\$703,305,000) and the weighted average number of ordinary shares of 2,688,140,000 (six months ended 30 June 2022: 2,856,725,000 shares) in issue during the six months ended 30 June 2023, calculated as follows:

Weighted average number of ordinary shares (basic):

	Six months ended 30 June	
	2023	2022
	'000	'000
Issued ordinary shares as at 1 January	2,867,923	3,026,883
Effect of purchase of own shares	(146,054)	(258,214)
Effect of purchase of shares held by the employee share trusts (<i>note</i>)	(33,729)	–
Shares issued for exercise of warrants	<u>–</u>	<u>88,056</u>
Weighted average number of ordinary shares (basic) as at 30 June	<u>2,688,140</u>	<u>2,856,725</u>

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

(b) Diluted earnings per share

For the six months ended 30 June 2023, basic and diluted earnings per share was the same as there were no potentially dilutive ordinary shares in issue during the period. For the six months ended 30 June 2022, basic and diluted earnings per share was the same as the effect of the potential ordinary shares outstanding was anti-diluted.

9 INTERESTS IN ASSOCIATES

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

Name of associate	Form of business structure	Place of incorporation and business	Particulars of paid-up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Xianghui Energy (Xiamen) Co., Ltd. ("Xianghui Energy") (note (i))	Incorporated	PRC	RMB1,200,000,000	49%	-	49%	Coal trading in the PRC (note (i))
TTJV Co. LLC. ("TTJV") (note (ii))	Incorporated	Mongolia	MNT283,637,000	30%	-	30%	Coal mining services (note (ii))

Notes:

- (i) On 11 December 2022, the Company, Xiamen Xiangyu Joint Stock Company Limited ("**Xiamen Xiangyu**"), and Xianghui Energy entered into the capital reduction agreement, pursuant to which the registered capital of Xianghui Energy was reduced from RMB2,000,000,000 to RMB1,200,000,000, while the Company and Xiamen Xiangyu agreed to reduce their respective subscribed registered capital in proportion to their respective equity interest in Xianghui Energy. Afterwards the Company and Xianghui Energy entered into a debt offset agreement, pursuant to which the Company's interest-bearing borrowings from Xianghui Energy were offset by the amount of capital reduction that shall be returned by Xianghui Energy. The capital reduction and debt offset have been completed on 31 January 2023, and the percentage of equity interest in Xianghui Energy held by the Company remains at 49%.
- (ii) On 3 October 2022, the Company acquired 30% equity interest of TTJV from one of the shareholders of TTJV with the consideration of US\$24,000,000. TTJV commenced operation in March 2012 and is mainly engaged in coal mining services in Mongolia. The investment in TTJV enables the Group to extend to the upstream of the integrated supply chain services.

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

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

	<i>Xianghui Energy</i>		<i>TTJV</i>	
	At 30 June	At 31	At 30 June	At 31
		December		December
		2023		2022
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Gross amounts of the associates				
Current assets	4,092,767	4,282,231	554,396	264,614
Non-current assets	14,221	13,561	413,543	416,762
Current liabilities	2,659,100	1,743,791	348,629	105,605
Non-current liabilities	2,406	1,063	–	–
Equity	1,445,482	2,550,938	619,310	575,771

	<i>Xianghui Energy</i>		<i>TTJV</i>	
	Six months ended 30 June	2022	Six months ended 30 June	2022
		2023		2023
		<i>HK\$'000</i>		<i>HK\$'000</i>
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	10,670,017	3,703,288	417,223	N/A
Profit for the period	65,431	116,071	41,344	N/A
Other comprehensive income	(34,869)	(56,350)	2,195	N/A
Total comprehensive income	30,562	59,721	43,539	N/A
Dividend received from the associate	115,688	100,087	–	N/A

Reconciled to the Group's interest in the associates

	<i>Xianghui Energy</i>		<i>TTJV</i>			
	At	At 31	At	At 31		
		30 June		December	30 June	December
		2023		2022	2023	2022
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>			
Gross amounts of net assets of the associate	1,445,482	2,550,938	619,310	575,771		
Group's effective interest	49%	49%	30%	30%		
Group's share of net assets of the associate	708,286	1,249,960	185,793	172,731		
Carrying amount in the consolidated financial statements	708,286	1,249,960	185,793	172,731		

Aggregate information of the associates that are not individually material:

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Aggregate carrying amount of the individually immaterial associates in the consolidated financial statements	22,917	5,179
	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Aggregate amounts of the Group's share of the associates'		
Loss from continuing operations	(385)	(51)
Total comprehensive income	(385)	(51)

10 OTHER NON-CURRENT ASSETS

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Loan to a joint venture (<i>note</i>)	170,093	–
Advance payments for property and equipment and construction in progress	<u>263,262</u>	<u>81,792</u>
	<u><u>433,355</u></u>	<u><u>81,792</u></u>

Note:

On 4 January 2023, the Group entered into a loan agreement (“**Loan Agreement**”) with one of the Group’s joint venture (“**the Joint Venture**”) of which the ultimate owner of the other shareholder operates logistic services in Mongolia. Pursuant to the Loan Agreement, the maximum cap of the loan is US\$25,000,000 with a maturity date of 3 January 2031 and interest rate is 7% per annum. Meanwhile a loan would be simultaneously provided to a fellow subsidiary of the other shareholder of the Joint Venture with identical terms to finance its purchase of logistics facilities. According to the loan arrangement, the purchased logistics facilities would be pledged to the Joint Venture and eventually pledged to the Group as collateral of the loan. As at 30 June 2023, under the Loan Agreement, the principal amount of the loan to the Joint Venture amounted to US\$21,200,000 (equivalent to HK\$166,125,000).

11 INVENTORIES

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

	At 30 June 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
Coal	987,191	1,653,434
Others	<u>32,002</u>	<u>95,882</u>
	<u>1,019,193</u>	<u>1,749,316</u>

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

	Six months ended 30 June	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Carrying amount of inventories sold	14,906,517	14,410,799
Written-down of inventories	<u>90,599</u>	<u>295,212</u>
	<u>14,997,116</u>	<u>14,706,011</u>

12 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Within 3 months	2,109,028	2,458,960
3 to 6 months	479,364	107,416
6 to 12 months	<u>16,750</u>	<u>105,100</u>
Trade debtors and bills receivable, net of loss allowance	2,605,142	2,671,476
Other debtors	<u>130,563</u>	<u>267,716</u>
Financial assets measured at amortised cost	2,735,705	2,939,192
Deposits and prepayments	745,296	695,544
Other tax recoverable	281,728	275,687
Derivative financial instruments (<i>note</i>)	<u>139,240</u>	<u>132,645</u>
	<u>3,901,969</u>	<u>4,043,068</u>

Note:

As at 30 June 2023 and 31 December 2022, derivative financial instruments represented the fair value of commodity futures contracts entered into by the Group.

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

As at 30 June 2023, trade and bills receivable of the Group of HK\$814,252,000 (31 December 2022: HK\$433,147,000) have been pledged as collateral for the Group's bills payable (see note 13).

As at 30 June 2023, bills receivable discounted at banks with recourse totaled HK\$275,752,000 (31 December 2022: HK\$472,429,000). These bills receivable were not derecognised as the Group remains exposed to the credit risk of these receivables.

13 TRADE AND OTHER PAYABLES

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

	At 30 June 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
Within 3 months	2,383,828	1,643,650
More than 3 months but less than 6 months	268,470	167,989
More than 6 months but less than 1 year	162,757	494,956
More than 1 year	<u>88,561</u>	<u>28,179</u>
 Total trade and bills payables	 2,903,616	 2,334,774
Prepayments from customers	239,254	282,132
Payables in connection with construction projects	43,013	37,313
Payables for purchase of equipment and motor vehicles	56,411	51,973
Payables for staff related costs	220,088	530,321
Payables for other taxes	47,848	184,733
Derivative financial instruments	–	166
Dividends payable	256,760	189,661
Others	<u>45,366</u>	<u>63,921</u>
	<u>3,812,356</u>	<u>3,674,994</u>

The Group's bills payable is analysed as follows:

	At 30 June 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
Secured by restricted bank deposits, property, plant and equipment and land use rights	353,661	110,213
Secured by restricted bank deposits, trade and bills receivable	<u>1,284,283</u>	<u>921,595</u>
	<u>1,637,944</u>	<u>1,031,808</u>

14 PROVISIONS

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Provision for compensation claim	<u>293,872</u>	<u>292,849</u>

As at 30 June 2023 and 31 December 2022, a provision of US\$37.5 million (approximately HK\$293,872,000) was made by the Group for a compensation claim from a supplier. It was related to the Group's unexecuted contracts for purchase of 146,360 tonnes of coking coal, for which the Group had issued notice of termination of execution to the supplier for the reason of product quality before goods acceptance, during the year ended 31 December 2021. As at 30 June 2023 and 31 December 2022, based on the available facts and circumstance in respect of the compensation claim that it is proceeding with arbitration procedures, taking into account the legal advice from its independent legal counsel, the Group based on its best estimate to provide for the amounts of the compensation claim.

15 SECURED BANK LOANS

(a) The secured bank loans comprise:

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Short-term loans and current portion of long-term loans	572,495	890,260
Long-term loans	<u>128,183</u>	<u>77,415</u>
	<u>700,678</u>	<u>967,675</u>

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

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Secured by discounted bills receivable	275,752	472,429
Secured by restricted bank deposits, property, plant and equipment and land use rights	136,194	295,105
Secured by restricted bank deposits	85,708	69,384
Credit guarantee	<u>203,024</u>	<u>130,757</u>
	<u>700,678</u>	<u>967,675</u>

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK\$0.078 per share (six months ended 30 June 2022: HK\$0.061)	<u>211,151</u>	<u>174,943</u>

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

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$0.084 per share (six months ended 30 June 2022: HK\$0.302)	<u>240,611</u>	<u>865,561</u>

(b) Share capital

	At 30 June 2023		At 31 December 2022	
	<i>No. of shares '000</i>		<i>No. of shares '000</i>	
Authorised:				
Ordinary shares with no par value	<u>6,000,000</u>		<u>6,000,000</u>	
	2023		2022	
	<i>No. of shares '000</i>	<i>HK\$'000</i>	<i>No. of shares '000</i>	<i>HK\$'000</i>
Ordinary shares, issued and fully paid:				
Existing shares as at 1 January	2,867,923	5,661,398	3,026,883	5,784,673
Shares issued for exercise of warrants	–	–	118,060	148,755
Cancellation of repurchased shares (note)	<u>(161,926)</u>	<u>(240,879)</u>	<u>(277,020)</u>	<u>(272,030)</u>
As at 30 June 2023/31 December 2022	<u>2,705,997</u>	<u>5,420,519</u>	<u>2,867,923</u>	<u>5,661,398</u>

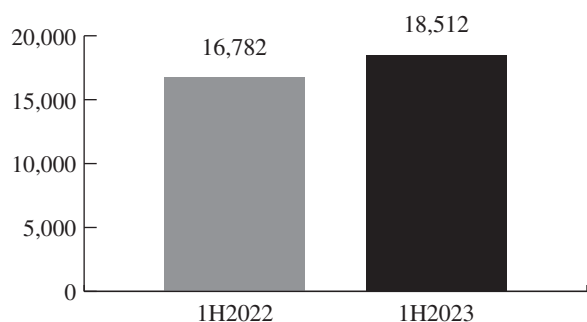
Note:

During the six months ended 30 June 2023, the Company cancelled in aggregate of 161,926,000 of its own shares from the open market (six months ended 30 June 2022: 277,020,000).

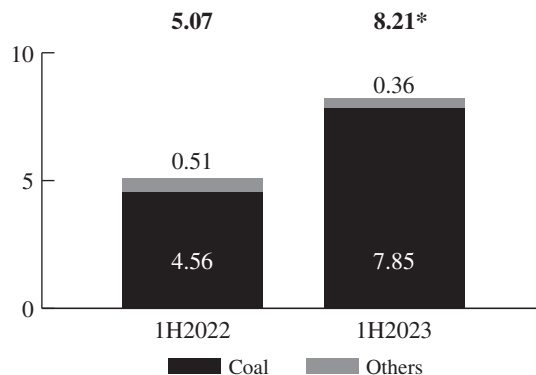
MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW

Revenue (in HK\$ million)

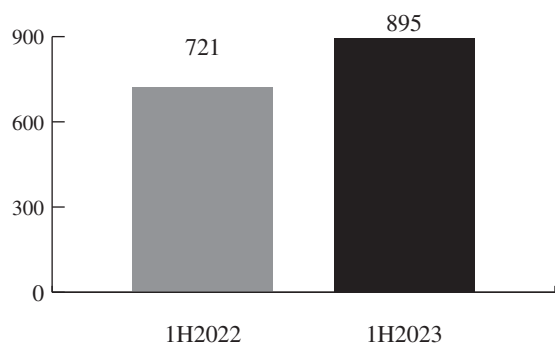


Supply Chain Trading Volume (million tonnes)

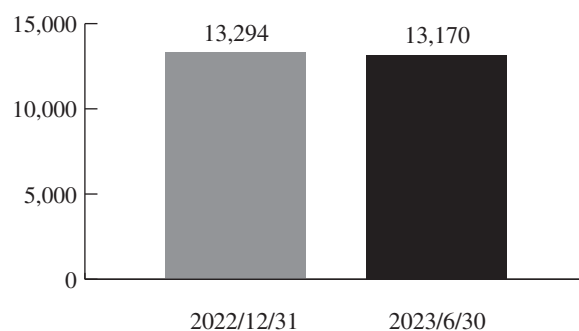


* Excluding sales volume of approximately 4.97 million tonnes of Mongolia coal executed through our associate Xianghui Energy.

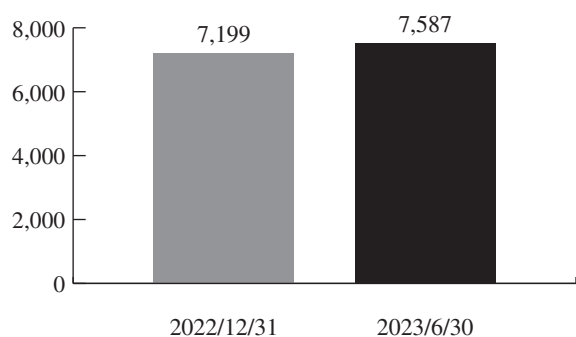
Net Profit (in HK\$ million)



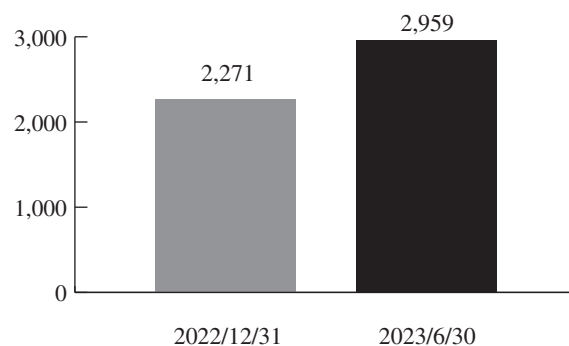
Total Assets (in HK\$ million)



Total Equity (in HK\$ million)



Cash Balance (in HK\$ million)



II. FINANCIAL REVIEW

1. Revenue Overview

During the first half of 2023, the amount of imported coking coal in China increased significantly, leading to a shift towards abundant supply. However, the structural contradiction in the inventory caused by insufficient downstream restocking demand, along with the continuous transfer of profits downstream in the ferrous industry chain, resulted in a downward trend in the coking coal price during the first half of the year. In such a challenging market, the Company recorded a consolidated revenue of approximately HK\$18,512 million, representing an increase of approximately 10.31% compared to approximately HK\$16,782 million for the first half of 2022, mainly due to the following factors:

- (i) The revenue generated from trading of coal increased by approximately 7.61% compared to the same period in 2022, primarily attributable to the increased coal trading volume.
- (ii) With the complete lifting of the pandemic restrictions, the Chinese and Mongolian governments have actively promoted the import of Mongolian coal. The increased import volume has led to an increase in the overall supply chain services volume, resulting in an increase of approximately 134.58% in revenue generated from integrated supply chain services segment compared to the same period in 2022.

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Disaggregated by major products or service lines		
– Coal	14,061,455	13,066,549
– Rendering of integrated supply chain services	3,072,510	1,309,839
– Oil and petrochemical products	1,106,862	2,148,553
– Iron ore	194,140	233,535
– Coke	27,025	16,582
– Others	50,479	7,066
	<u>18,512,471</u>	<u>16,782,124</u>

For the first half of 2023, revenue in the amount of approximately HK\$4,081 million was generated from outside the PRC (including Hong Kong, Macau and Taiwan), representing 22.05% of the total revenue.

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
– The PRC (including Hong Kong, Macau and Taiwan)	14,430,553	12,105,899
– Indonesia	998,118	797,403
– India	639,504	394,378
– South Korea	589,833	1,615,422
– Malaysia	588,303	608,426
– Vietnam	447,112	–
– Mongolia	342,706	7,971
– Netherlands	338,219	999,478
– Japan	138,123	291
– Brazil	–	252,856
	<u>18,512,471</u>	<u>16,782,124</u>

For the first half of 2023, the revenue from our top five customers accounted for 43.12% of our total revenue, whereas the same ratio was 37.29% in the first half of 2022. Our top five 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

For the first half of 2023, our supply chain trading business sector recorded a revenue of approximately HK\$15,389 million, representing approximately 83.13% of the total revenue. This sector generates income by providing commodities trading services to our end customers, covering diversified commodities including, among others, coal products, oil and petrochemical products, iron ore and coke.

The revenue generated from coal products increased by approximately 7.61% from approximately HK\$13,067 million in the first half of 2022 to approximately HK\$14,061 million in the first half of 2023, mainly due to the increased coking coal trading volume. As the first year subsequent to the complete lifting of the pandemic restrictions, the overall economic situation in China during the first half of the year was centered around “recovery”. According to relevant customs data, from January to June 2023, China imported a total of approximately 45.61 million tonnes of coking coal, representing an increase of approximately 75.02% compared to the same period in 2022.

Integrated Supply Chain Services

Over the years, the Company has continuously invested in the logistic infrastructure at the Sino-Mongolia border. In the first half of 2023, this long-term investment continued to pay off, resulting in a significant revenue growth in the Company's integrated supply chain services segment.

For the first half of 2023, the Company recorded a revenue of approximately HK\$3,073 million from the integrated supply chain services segment, representing an increase of approximately 134.58% compared to approximately HK\$1,310 million in the first half of 2022. This was mainly due to the increased cross-border transportation volume of Mongolian coal. The revenue generated from integrated supply chain services segment contributed approximately 16.60% of the total revenue, representing an increase of approximately 8.8% from the same period in 2022.

With the complete lifting of pandemic restrictions and the strong promotion by the governments of China and Mongolia, the import volume of Mongolian coal has significantly increased. Benefiting from the Company's precise deployment of bilateral cross-border logistics assets, the Company has effectively leveraged its ability to integrate logistics resources and its strong cross-border capabilities. This has resulted in an increase in port clearance volume and revenue from the integrated supply chain services segment. Additionally, the Company has pioneered the development of the Automated Guided Vehicle (AGV) unmanned cross-border transportation project, which consistently demonstrated advantages in safety, efficiency, and technology in port cross-border transportation. As a result, the customs clearance efficiency and cross-border capacity of the Company improved.

Business Prospects

As at June 30, 2023, the Company in aggregate invested approximately HK\$5.2 billion in strategic assets. Over the years, the asset deployment has covered along the whole supply chain, including mining service, Mongolia road and rail transportation, cross-border transportation, storage and processing, and domestic rail transportation. In the future, the Company will adhere to the business model of leveraging its logistics advantages to drive trade and promote the integration of logistics services and trading. It will further improve the infrastructure construction of northern Chinese ports, enhance the competitive advantage of comprehensive supply chain services, and become a pioneer contributing to the high quality construction for the northward opening of the country.

2. Cost of Sales and Procurement

Cost of sales for the first half of 2023 was approximately HK\$17,186 million, representing an approximately 12.14% increase compared to approximately HK\$15,325 million in the first half of 2022. This was mainly due to increased business from the integrated supply chain services segment, resulting in increased corresponding costs.

Procurement costs are the main costs incurred from supply chain trading segment. The procurement costs mainly comprise: (i) the purchase price of commodities; and (ii) transportation costs from relevant suppliers to the border-crossing or ports in the relevant countries where the customers are located. The below table sets out our procurement details for different types of commodities.

	Six months ended 30 June			
	2023		2022	
	Procurement volume '000 tonnes	Procurement amounts HK\$'000	Procurement volume '000 tonnes	Procurement amounts HK\$'000
Coal	7,331	12,086,916	4,440	11,484,966
Oil and petrochemical products	124	1,018,469	235	2,083,829
Iron ore	205	186,292	242	210,058
Coke	10	22,728	7	24,243
	<u>7,670</u>	<u>13,314,405</u>	<u>4,924</u>	<u>13,803,096</u>

In the first half of 2023, the total procurement amount was approximately HK\$13,314 million, of which, the procurement amount from top five suppliers accounted for approximately 32.97% and such suppliers are mainly the leading coking coal suppliers in the world. None of the 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 shareholder of the Company owning more than 5% of the issued shares in the Company, has any interest in any of our suppliers.

3. Operating Gross Profit

The Group recorded an operating gross profit of approximately HK\$1,264 million in the first half of 2023, representing a decrease of approximately 6.92% compared to an operating gross profit of approximately HK\$1,358 million in the first half of 2022.

The operating gross profit has slightly decreased mainly due to the sluggish prices of coking coal in the first half of 2023. In the first quarter of 2023, coking coal prices were generally fluctuating within a narrow range, while in the second quarter of 2023, prices experienced an overall downward trend before stabilising. Additionally, the domestic economic situation fell short of expectations, with a significant influx of imported supply and weak demand in the downstream steel sector, leading to a decline in operating gross profit per ton of coking coal.

4. Administrative Expenses

The Group recorded administrative expenses of approximately HK\$384 million for the first half of 2023, representing an increase of approximately 4.92% compared to administrative expenses of approximately HK\$366 million for the first half of 2022.

5. Staff Costs

	Six months ended 30 June	
	2023	2,022
	HK\$'000	HK\$'000
Salaries, wages, bonus and other benefits	382,681	447,771
Contributions to defined contribution retirement plan	7,409	5,911
	<u>390,090</u>	<u>453,682</u>

During the six months ended 30 June 2023, staff costs of the Group included accrued bonus of approximately HK\$85,360,000 (six months ended 30 June 2022: HK\$110,568,000) for the business sector teams, including coking coal and other teams. The factors considered in determining the bonus were 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 was distributed to the corresponding business sector team in the form of bonus.

6. Other Net Operating Income

The Group recorded an other net operating income of approximately HK\$154 million for the first half of 2023, compared to the other net operating expenses of approximately HK\$50 million for the first half of 2022. This was mainly due to using derivative instruments for hedging purposes whereby the Company generated approximately HK\$121 million in gains from the futures market.

7. Net Finance Costs

The Group recorded net finance costs of approximately HK\$27 million for the first half of 2023, representing a decrease of approximately 82.58% compared to the net finance costs of approximately HK\$155 million for the first half of 2022. The decrease was mainly due to a decrease in finance costs by approximately 68.05% compared to the amount incurred for the first half of 2022. Such a decrease was primarily attributed to significant fluctuations of exchange rate in the market during the same period in 2022. In the first half of 2023, the Company's business and foreign exchange teams strategically conducted transactions in the course of business in favourable currencies. The Group also strengthened its exchange rate management to reduce exchange rate risk.

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interest income	<u>(27,288)</u>	<u>(14,193)</u>
Finance income	<u>(27,288)</u>	<u>(14,193)</u>
Interest on discounted bills receivable	12,709	16,244
Interest on secured bank and other loans	9,506	25,580
Interest on lease liabilities	<u>16,339</u>	<u>9,223</u>
Total interest expense	38,554	51,047
Bank and other charges	12,938	6,878
Changes in fair value on warrants	–	8,782
Foreign exchange loss, net	<u>2,718</u>	<u>102,398</u>
Finance costs	<u>54,210</u>	<u>169,105</u>
Net finance costs	<u>26,922</u>	<u>154,912</u>

8. Profit attributable to Equity Shareholders and Earnings per Share

The profit attributable to equity shareholders was approximately HK\$845 million for the first half of 2023, representing an increase of approximately 20.20% compared to the profit attributable to equity shareholders of approximately HK\$703 million in the first half of 2022.

Both basic earnings per share and diluted earnings per share were HK\$0.314 for the six months ended 30 June 2023.

9 Interests in Associates

Xianghui Energy commenced operation in October 2019 and is mainly engaged in trading Mongolian coal in the PRC. Xianghui Energy recorded revenue of approximately HK\$10,670 million and net profit of approximately HK\$65 million for the first half of 2023.

TTJV commenced operation in March 2012. The investment in TTJV enables the Group to extend to the upstream of the integrated supply chain services. TTJV recorded revenue of approximately HK\$417 million and net profit of approximately HK\$41 million for the first half of 2023.

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

	Xianghui Energy		TTJV	
	At 30 June 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>	At 30 June 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
Gross amounts of the associate				
Current assets	4,092,767	4,282,231	554,396	264,614
Non-current assets	14,221	13,561	413,543	416,762
Current liabilities	2,659,100	1,743,791	348,629	105,605
Non-current liabilities	2,406	1,063	-	-
Equity	1,445,482	2,550,938	619,310	575,771

	Xianghui Energy		TTJV	
	Six months ended 30 June 2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	Six months ended 30 June 2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	10,670,017	3,703,288	417,223	N/A
Profit for the period	65,431	116,071	41,344	N/A
Other comprehensive income	(34,869)	(56,350)	2,195	N/A
Total comprehensive income	30,562	59,721	43,539	N/A
Dividend received from the associate	115,688	100,087	-	N/A

	Xianghui Energy		TTJV	
	At 30 June 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>	At 30 June 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
Gross amounts of net assets of the associate	1,445,482	2,550,938	619,310	575,771
Group's effective interest	49%	49%	30%	30%
Group's share of net assets of the associate	708,286	1,249,960	185,793	172,731
Carrying amount in the condensed consolidated financial statements	708,286	1,249,960	185,793	172,731

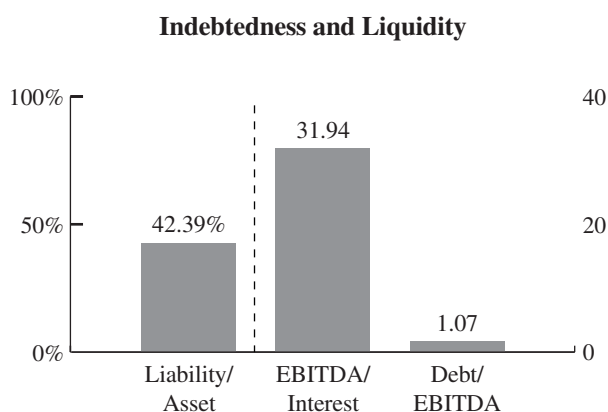
10. Inventories

	At 30 June 2023 <i>HK\$'000</i>	At 31 December 2022 <i>HK\$'000</i>
Coal	987,191	1,653,434
Others	<u>32,002</u>	<u>95,882</u>
	<u>1,019,193</u>	<u>1,749,316</u>

Inventories as at 30 June 2023 were approximately HK\$1,019 million, representing a decrease of approximately 41.74% compared to approximately HK\$1,749 million as at 31 December 2022. The decrease in inventories was mainly due to the market downturn and lower purchasing costs per ton. The Company made an impairment arrangement of approximately HK\$105 million for the underlying market price after considering the signed contract price and the unsigned contract price subsequent to the Reporting Period.

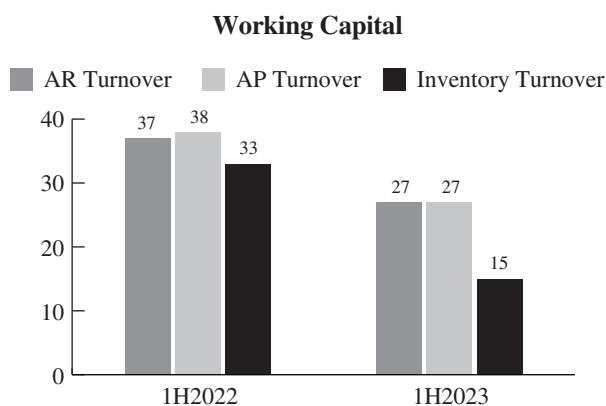
11. Indebtedness and Liquidity

As at 30 June 2023, the total amount of bank loans owed by the Group was approximately HK\$701 million. Interest rates on these loans range from 2.50% to 8.90% per annum, whereas the range for the same period in 2022 was from 0.25% to 11.35%. The Group's gearing ratio as at 30 June 2023 was 42.39%, which represents a decrease compared to approximately 45.85% as at 31 December 2022. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.



12. Working Capital

For the first half of 2023, our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were approximately 27 days, 27 days, and 15 days, respectively. As a result, the overall cash conversion cycle was approximately 15 days.



13. Pledge of Assets

As at 30 June 2023, bank loans amounting to HK\$203,024,000 (31 December 2022: HK\$130,758,000) had been secured by credit guarantee with a guarantee amount of HK\$203,024,000 (31 December 2022: HK\$130,758,000) provided by subsidiaries of the Group.

As at 30 June 2023, bank loans amounting to HK\$136,194,000 (31 December 2022: HK\$295,105,000) together with bills payable amounting to HK\$353,661,000 (31 December 2022: HK\$110,213,000) had been secured by restricted bank deposits with an aggregate carrying value of HK\$123,406,000 (31 December 2022: HK\$22,439,000), property, plant and equipment with an aggregate carrying value of HK\$294,349,000 (31 December 2022: HK\$338,514,000), and land use rights with an aggregate carrying value of HK\$128,620,000 (31 December 2022: HK\$142,822,000).

As at 30 June 2023, bank loans amounting to HK\$275,752,000 (31 December 2022: HK\$472,429,000) had been secured by bills receivable with an aggregate carrying value of HK\$275,752,000 (31 December 2022: HK\$472,429,000).

As at 30 June 2023, bank loans amounting to HK\$85,708,000 (31 December 2022: HK\$69,384,000) had been secured by restricted bank deposits with an aggregate carrying value of HK\$83,528,000 (31 December 2022: HK\$72,353,000).

As at 30 June 2023, bills payable amounting to HK\$1,284,283,000 (31 December 2022: HK\$921,595,000) had been secured by restricted bank deposits with an aggregate carrying value of HK\$626,271,000 (31 December 2022: HK\$574,728,000), bills receivable with an aggregate carrying value of HK\$676,474,000 (31 December 2022: HK\$259,401,000) and accounts receivable with an aggregate carrying value of HK\$137,778,000 (31 December 2022: HK\$173,746,000).

As at 30 June 2023, lease liabilities amounting to HK\$148,757,000 (31 December 2022: HK\$180,712,000) have been secured by property, plant and equipment with an aggregate carrying value of HK\$89,933,000 (31 December 2022: HK\$97,597,000), land use rights with an aggregate carrying value of HK\$36,104,000 (31 December 2022: HK\$38,243,000).

14. Cash Flow

For the first half of 2023, the Group had a net cash inflow from operating activities of approximately HK\$1,716 million compared to approximately HK\$659 million net cash inflow during the same period in 2022. The net cash inflow from operating activities in the first half of 2023 was mainly attributable to cash profit.

For the first half of 2023, the Group had a net cash outflow from investing activities of approximately HK\$586 million compared to approximately HK\$436 million net cash outflow during the same period in 2022. The cash outflow from investing activities in the first half of 2023 was approximately HK\$855 million which was mainly attributable to a cash outflow from logistics assets, coal washing assets and property investments, increased occupation of restricted fund. The cash inflow from investing activities in the first half of 2023 was approximately HK\$269 million, which was attributable to a cash inflow from increased income from financial derivatives and receipt of dividends from associates.

For the first half of 2023, the Group had a net cash outflow from financing activities of approximately HK\$353 million compared to approximately HK\$121 million net cash outflow during the same period in 2022. The net cash outflow from financing activities in the first half of 2023 was mainly attributable to the payment of dividends of approximately HK\$194 million, lease repayments of approximately HK\$131 million and share repurchase payments of approximately HK\$50 million.

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

	Six months ended 30 June 2023^(Note 3) HK\$'000	Adjustments HK\$'000	Adjusted six months ended 30 June 2023^(Note 4) HK\$'000
Cash and cash equivalents at 1 January	2,270,966		2,270,966
Net cash generated from/(used in) operating activities	1,715,764	(231,721)	1,484,043
Net cash generated from/(used in) investing activities	(585,966)	35,044 ^(Note 1)	(550,922)
Net cash generated from/(used in) financing activities	(353,116)	196,677 ^(Note 2)	(156,439)
Effect of foreign exchange rate changes	<u>(88,375)</u>		<u>(88,375)</u>
Cash and cash equivalents as at 30 June	<u><u>2,959,273</u></u>		<u><u>2,959,273</u></u>

Notes:

1. Full margin deposit for letter of credit
2. Discounted bills and bill pledged loans
3. Derived from consolidated cash flow statement of the Group's interim financial report.
4. Illustrative purpose only.

III. WORKING CAPITAL AND FINANCIAL POLICY

The Group managed its funds by pre-planning and real-time monitoring measures. The Group raised funds through business activities, discount of notes receivable, factoring of accounts receivable, banking facilities from domestic and overseas banks, and bond financing, so as to ensure the expenditure for business operation, loan repayment and capital expenditure. In the first half of 2023, the Group's main financing methods were discounted notes receivable, discounted letters of credit and banking facilities.

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

The main currencies of the Company's business and operation were US dollars and Renminbi. For the business for which purchases were made in US dollars and sales were made in Renminbi, the Company paid close attention to the exchange rate of US dollars to Renminbi. In the fluctuation of foreign exchange rate, the Company strategically conducted transactions in favourable currencies and used foreign exchange derivatives to avoid exchange rate fluctuation risks and lock in business profits during business operations.

IV. RISK FACTORS

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

1. Volatility of Commodities Prices

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

2. Dependence on the Steel Industry

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

3. Liquidity Risk

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

4. Currency Risk

Over 63.15% of the Group's turnover in the first half of 2023 were denominated in Renminbi. Over 62.31% of the Group's procurement costs, and some of our operating expenses, were denominated in US dollars. The exchange rates between Renminbi and US dollars and other currencies vary from time to time due to the influence from the political and economic changes in China and the world, as well as the Chinese governance fiscal and currency policy. Fluctuations in exchange rates may adversely affect the value of the Group's net assets, earnings or any declared dividends as Renminbi is translated or converted into US dollars or Hong Kong dollars. The Group has mostly locked the currency risk of related commodities trading businesses by adopting corresponding exchange rate management policies and derivatives hedging approaches, however, any unfavourable movement in the exchange rate may still lead to an increase in the costs of the Group or a decline in sales, which could materially affect the Group's results of operations.

5. Fair Value Measurement

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

V. HUMAN RESOURCES

Employee Overview

The Group aims to set up a performance-oriented compensation and benefit system while balancing the internal and external market in different job positions. As at 30 June 2023, the Company had subsidiaries or branch offices in China (including Hong Kong and Macau), Singapore, Mongolia and other countries and regions. The Group has entered into formal employment contracts with all employees and pays all mandatory social insurances in full in the relevant countries and regions in strict compliance with the applicable laws and regulations.

As at 30 June 2023, the Group had 1,637 full-time employees (excluding 758 labor dispatch workers in the PRC subsidiaries). Detailed figures by category of employees are as follows:

Functions	No. of Employees	Percentage
Management, administration and finance	156	10%
Front-line production, production support and maintenance	68	4%
Sales and marketing	85	5%
Others (including projects, coal washing and transportations)	346	21%
Cargo drivers (Mongolia)	982	60%
	<u>1,637</u>	<u>100%</u>

Employee Education Overview

Qualifications	No. of Employees	Percentage
Master and above	86	5%
Bachelor	343	21%
Diploma	122	8%
Middle-school (secondary school) and below	1,086	66%
	<u>1,637</u>	<u>100%</u>

Training Overview

Training is essential for the Group to improving the employees' working capabilities and management skills. For the six months ended 30 June 2023, the Group held various internal and external training programs in an aggregate of 117 training hours for 971 participants in total.

Training Courses	No. of hours	No. of participants
Safety	26	499
Management and leadership	38	92
Professional skill	<u>53</u>	<u>380</u>
	<u>117</u>	<u>971</u>

VI. HEALTH, SAFETY AND ENVIRONMENT

The Group attaches great importance to the health and safety of employees and understands the importance of environment protection. The Group uses key indicators, i.e. the Lost Time Injury Frequency Rate, Fatality Incident Rate and Total Recordable Case Frequency to measure how it achieves its commitment. No casualties, environmental accidents or occupational health and safety accidents occurred for the first half of 2023.

In accordance with the Conclusions to its Consultation on the Review of the ESG Reporting Guide and Related Listing Rules published by the Stock Exchange on 18 December 2019, the Company has engaged an independent professional third party to work in consultation on environmental, social and governance matters (“**ESG**”) and issue an ESG report for 2022. The third-party consultant has completed its consultation and training accordingly, to the Directors and ESG relevant staff, on ESG policy changes, compliance requirements, suggested work procedures, and others.

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

As at 30 June 2023, the Company had a total of 2,705,996,962 Shares in issue. The Company repurchased a total of 42,832,000 Shares and 1,266,000 Shares on the Stock Exchange during the Reporting Period and July 2023, respectively, among which 36,278,000 repurchased Shares were cancelled in the first half of 2023 and 7,820,000 repurchased Shares will be cancelled in due course.

VIII. OTHER INFORMATION

2022 Restricted Share Unit Scheme (“2022 RSU Scheme”)

On 6 January 2022, the Board approved the adoption of the 2022 RSU Scheme. Under the 2022 RSU Scheme, the participants include: (i) a director, officer, member of senior management of any member of the Group; (ii) any non-executive Director (including independent non-executive Director); and (iii) any advisor and agent who provides value-added services to the Group, as determined by the Board in its sole discretion in accordance with the terms of the 2022 RSU Scheme. Subject to the terms of the 2022 RSU Scheme, the term of the 2022 RSU Scheme shall be for a period of 10 years commencing from the date of adoption.

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.

As at 30 June 2023, no Shares was purchased under the 2022 RSU Scheme by the Trustee in accordance with the terms of the 2022 RSU Scheme and the Trust Deed. Under the Trust Deed, the Trustee shall not exercise any voting rights in respect of the Share held pursuant to the settlement created by the Trust Deed.

During Reporting Period, no restricted share unit awards was granted under the 2022 RSU Scheme. As at 30 June 2023, no outstanding and unvested restricted share unit was held by (i) any Director, (ii) the five highest paid individuals; or (iii) other participants under the 2022 RSU Scheme.

IX. INTERIM DIVIDEND

The declaration of an interim dividend in cash of HK\$0.078 per Share as approximately HK\$211 million for the six months ended 30 June 2023 has been approved by the Board, which is expected to be payable on or around 16 January 2024. The Company will make a further announcement to set out the details on the payment of the interim dividend and closure of register of members of the Company.

X. SUBSEQUENT EVENTS

On 12 July 2023, 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**”), an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into a series of agreements with San Pak Ka (Hengqin) Development Company Limited* (新栢嘉(橫琴)發展有限公司), as the vendor, in relation to the acquisition of 131 office units located in Zhuhai City, Guangdong Province, the PRC with an aggregate gross floor area of 7,803.42 square meters at an aggregate consideration of approximately RMB218.89 million. For further details, please refer to the Company’s announcement dated 12 July 2023.

On 4 August 2023, E-Commodities Guangdong entered into a property purchase agreement with Mr. Wang Xingchun (“**Mr. Wang**”), father of Ms. Wang Yihan (“**Ms. Wang**”), the controlling shareholder of the Company, pursuant to which E-Commodities Guangdong agreed to purchase and Mr. Wang agreed to sell 20/F of Sinoport Plaza located in Zhuhai City, Guangdong Province, the PRC with an aggregate gross floor area of 2,239.42 square meters at a total consideration of RMB70.10 million. On the same date, E-Commodities (Jiangsu) Supply Chain Management Co., Ltd.* (易大宗(江蘇)供應鏈管理有限公司) (“**E-Commodities Jiangsu**”), an indirect wholly-owned subsidiary of the Company, entered into a property purchase agreement with Ms. Bai Jianping (“**Ms. Bai**”), the spouse of Mr. Wang and mother of Ms. Wang, pursuant to which E-Commodities Jiangsu agreed to purchase and Ms. Bai agreed to sell a property located in Nantong City, Jiangsu Province, the PRC with an aggregate gross floor area of 624.02 square meters at a total consideration of RMB8.10 million. For further details, please refer to the Company’s announcement dated 4 August 2023.

On 28 August 2023, Ms. Di Jingmin (“**Ms. Di**”) resigned as an executive Director, a member of the nomination committee of the Board (the “**Nomination Committee**”), and chairman of the environment, social and governance committee of the Board (the “**ESG Committee**”) with effect from the same date. After the resignation, Ms. Di will remain as senior vice president of the Group. Ms. Di has confirmed that she has no disagreement with the Board and there is no matter relating to her resignation that needs to be brought to the attention to the Shareholders. The Board appointed Ms. Chen Xiuzhu (“**Ms. Chen**”) as an executive Director, the chairman of ESG Committee and a member of Nomination Committee with effect from 28 August 2023. The Company entered into a service contract with Ms. Chen for a term of three years commencing from 28 August 2023 regarding the appointment of Ms. Chen as an executive Director. Ms. Chen will hold the office until the next following annual general meeting of the Company after her appointment and will be subject to re-election at that meeting and thereafter in accordance with the amended and restated articles of association of the Company. For further details, please refer to the Company’s announcement dated 28 August 2023.

XI. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2023, the Company fully complied with the code provisions (the “**Code Provisions**”) set out in Part 2 of Appendix 14 to the Listing Rules, except for the deviation from the Code Provision C.2.1 which requires that the roles of chairman and chief executive officer be separate and not performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarised below. Ms. Cao Xinyi, the chairman of the Board (the “**Chairman**”), was appointed as the chief executive officer of the Company (“**CEO**”) on 18 July 2019. The Board believes that, considering Ms. Cao Xinyi’s length of employment and experience in the business and operations of the Group and her professional financial knowledge, vesting the roles of both the Chairman and the CEO in Ms. Cao Xinyi can provide the Group with consistent leadership, facilitate the execution of the Group’s business strategies and boost effectiveness of its operations. In addition, under the supervision of the Board (which consists of 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors) and Board committees (only 2 executive Directors served on the Board committees and other members of which are all independent non- executive Directors), the Board is appropriately structured with a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders as a whole. Therefore, the Board considers that the deviation from the Code Provision C.2.1 is appropriate in such circumstances.

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

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (“**Model Code**”) as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each Director has confirmed that he/she has complied with the required standards set out in the Model Code throughout the six months ended 30 June 2023.

XIII. REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2023. The interim results are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

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

This interim results announcement is published on the websites of the Company (www.e-comm.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2023 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, 28 August 2023

As at the date of this announcement, the executive directors of the Company are Ms. Cao Xinyi, Mr. Wang Yaxu, Mr. Zhao Wei and Ms. Chen Xiuzhu, 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.