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WINSWAY 易大宗
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 2024

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 2024 (the “**Reporting Period**”) together with comparative figures for the same period in 2023.

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2024 was HK\$19,854 million.
- Gross profit for the six months ended 30 June 2024 was HK\$1,232 million.
- Profit for the six months ended 30 June 2024 was HK\$830 million.
- Profit attributable to equity shareholders of the Company (the “**Shareholder(s)**”) for the six months ended 30 June 2024 was HK\$783 million.
- Both basic and diluted earnings per share of the Company (the “**Share**”) for the six months ended 30 June 2024 were HK\$0.294.
- An interim dividend in cash of HK\$0.073 per Share or approximately HK\$196 million has been declared for the six months ended 30 June 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2024 – unaudited

(Expressed in Hong Kong dollars)

| | Note | Six months ended 30 June | |
|---|------|--------------------------|---------------------|
| | | 2024 HK\$'000 | 2023 HK\$'000 |
| Revenue | 4 | 19,854,020 | 18,512,471 |
| Cost of sales | | <u>(18,622,144)</u> | <u>(17,243,017)</u> |
| Gross profit | | 1,231,876 | 1,269,454 |
| Distribution costs | | (5,777) | (5,059) |
| Administrative expenses | | (420,041) | (384,483) |
| Other income | 5 | <u>94,452</u> | <u>180,729</u> |
| Profit from operations | | <u>900,510</u> | <u>1,060,641</u> |
| Finance income | 6(a) | 28,677 | 27,288 |
| Finance costs | 6(a) | <u>(84,619)</u> | <u>(54,210)</u> |
| Net finance costs | | <u>(55,942)</u> | <u>(26,922)</u> |
| Share of profits of associates | | 50,808 | 44,079 |
| Share of profits/(losses) of joint ventures | | <u>43,884</u> | <u>(4,768)</u> |
| Profit before taxation | | 939,260 | 1,073,030 |
| Income tax | 7 | <u>(109,157)</u> | <u>(178,114)</u> |
| Profit for the period | | <u>830,103</u> | <u>894,916</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | 782,859 | 844,604 |
| Non-controlling interests | | <u>47,244</u> | <u>50,312</u> |
| Profit for the period | | <u>830,103</u> | <u>894,916</u> |
| Earnings per share | 8 | | |
| Basic and diluted (HK\$) | | <u>0.294</u> | <u>0.314</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2024 – unaudited

(Expressed in Hong Kong dollars)

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Profit for the period | 830,103 | 894,916 |
| Other comprehensive income for the period (after tax and reclassification adjustments): | | |
| Item that will not be reclassified to profit or loss: | | |
| Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling) | 1,451 | (2,537) |
| Item that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation | (54,960) | (187,697) |
| Other comprehensive income for the period | (53,509) | (190,234) |
| Total comprehensive income for the period | 776,594 | 704,682 |
| Attributable to: | | |
| Equity shareholders of the Company | 746,888 | 666,178 |
| Non-controlling interests | 29,706 | 38,504 |
| Total comprehensive income for the period | 776,594 | 704,682 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 – unaudited

(Expressed in Hong Kong dollars)

| | <i>Note</i> | At 30 June 2024 <i>HK\$'000</i> | At 31 December 2023 <i>HK\$'000</i> |
|--|-------------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 2,248,435 | 2,220,030 |
| Investment property | 9 | 222,030 | 224,562 |
| Right-of-use assets | | 1,072,733 | 1,112,707 |
| Construction in progress | | 213,409 | 242,996 |
| Intangible assets | | 218,473 | 240,226 |
| Interests in associates | | 974,146 | 1,093,674 |
| Interests in joint ventures | | 172,540 | 101,208 |
| Other investments in equity securities | | 105,340 | 102,646 |
| Deferred tax assets | | 65,858 | 78,934 |
| Other non-current assets | 10 | <u>396,130</u> | <u>251,627</u> |
| Total non-current assets | | <u>5,689,094</u> | <u>5,668,610</u> |
| Current assets | | | |
| Inventories | 11 | 2,650,489 | 3,424,955 |
| Trade and other receivables | 12 | 6,155,232 | 4,879,315 |
| Restricted bank deposits | | 1,348,568 | 886,132 |
| Cash and cash equivalents | | <u>2,192,803</u> | <u>2,955,453</u> |
| Total current assets | | <u>12,347,092</u> | <u>12,145,855</u> |
| Current liabilities | | | |
| Secured bank loans | 14 | 1,862,145 | 1,907,519 |
| Trade and other payables | 13 | 5,606,009 | 5,353,272 |
| Contract liabilities | | 358,635 | 534,019 |
| Lease liabilities | | 232,036 | 254,377 |
| Income tax payable | | <u>201,648</u> | <u>309,276</u> |
| Total current liabilities | | <u>8,260,473</u> | <u>8,358,463</u> |
| Net current assets | | <u>4,086,619</u> | <u>3,787,392</u> |
| Total assets less current liabilities | | <u>9,775,713</u> | <u>9,456,002</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*at 30 June 2024 – unaudited**(Expressed in Hong Kong dollars)*

| | | At 30 June 2024 <i>HK\$'000</i> | At 31 December 2023 <i>HK\$'000</i> |
|--|--------------|--|--|
| Non-current liabilities | | | |
| Secured bank loans | <i>14</i> | 132,360 | 139,640 |
| Lease liabilities | | 206,199 | 366,045 |
| Deferred income | | 26,947 | 28,444 |
| Deferred tax liabilities | | 60,386 | 105,915 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 425,892 | 640,044 |
| | | <hr/> | <hr/> |
| NET ASSETS | | 9,349,821 | 8,815,958 |
| | | <hr/> | <hr/> |
| CAPITAL AND RESERVES | | | |
| Share capital | <i>15(b)</i> | 5,413,093 | 5,420,519 |
| Reserves | | 3,505,223 | 3,073,554 |
| | | <hr/> | <hr/> |
| Total equity attributable to equity shareholders of the Company | | 8,918,316 | 8,494,073 |
| Non-controlling interests | | 431,505 | 321,885 |
| | | <hr/> | <hr/> |
| TOTAL EQUITY | | 9,349,821 | 8,815,958 |
| | | <hr/> | <hr/> |

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

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

2 BASIS OF PREPARATION

The interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issue on 23 August 2024.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial information 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 2023 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 IFRS Accounting Standards issued by the IASB.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amended IFRS Accounting Standards issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“**2020 amendments**”)
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*

Except for above amendments, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRS Accounting Standards are discussed below:

Amendments to IAS 1, *Presentation of financial statements* (“2020 and 2022 amendments”, or collectively the “IAS 1 amendments”)

The IAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions in a full set of financial statements.

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.

Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements.

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 | |
|---|---------------------------------|--------------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Revenue from contracts with customers | | |
| within the scope of IFRS 15 | | |
| Disaggregated by major products or service lines | | |
| – Coal | 16,858,477 | 14,061,455 |
| – Rendering of integrated supply chain services | 2,100,552 | 3,072,510 |
| – Oil and petrochemical products | 746,656 | 1,106,862 |
| – Iron ore | 112,917 | 194,140 |
| – Coke | – | 27,025 |
| – Others | 35,418 | 50,479 |
| | <u>19,854,020</u> | <u>18,512,471</u> |
| | <u>19,854,020</u> | <u>18,512,471</u> |
| Six months ended 30 June | | |
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Disaggregated by geographical location of customers | | |
| – The PRC (including Hong Kong, Macau and Taiwan) | 14,942,943 | 14,430,553 |
| – Indonesia | 1,835,536 | 998,118 |
| – Malaysia | 1,011,534 | 588,303 |
| – South Korea | 713,909 | 589,833 |
| – Japan | 503,291 | 138,123 |
| – Mongolia | 422,881 | 342,706 |
| – India | 295,276 | 639,504 |
| – Vietnam | 128,650 | 447,112 |
| – Netherlands | – | 338,219 |
| | <u>19,854,020</u> | <u>18,512,471</u> |
| | <u>19,854,020</u> | <u>18,512,471</u> |

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

The geographical location of customers is based on the location at which the services were provided or the goods delivered.

(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 | |
|--|--|-------------------|--|------------------|-------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | 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 | 17,753,468 | 15,439,961 | 1,781,391 | 2,684,732 | 19,534,859 | 18,124,693 |
| Over time | – | – | 319,161 | 387,778 | 319,161 | 387,778 |
| Revenue from external customers | 17,753,468 | 15,439,961 | 2,100,552 | 3,072,510 | 19,854,020 | 18,512,471 |
| Inter-segment revenue | – | – | 488,995 | 444,286 | 488,995 | 444,286 |
| Reportable segment revenue | 17,753,468 | 15,439,961 | 2,589,547 | 3,516,796 | 20,343,015 | 18,956,757 |
| Reportable segment profit (adjusted EBITDA) | 480,835 | 394,581 | 707,816 | 897,697 | 1,188,651 | 1,292,278 |
| Interest income | 15,026 | 21,773 | 13,651 | 5,515 | 28,677 | 27,288 |
| Interest expense | (46,765) | (20,973) | (16,562) | (17,581) | (63,327) | (38,554) |
| Depreciation and amortisation | (47,842) | (32,891) | (155,355) | (137,818) | (203,197) | (170,709) |
| Reversal of provision/(provision) for impairment losses on trade and other receivables | 7,562 | (30,986) | 2,186 | 9,369 | 9,748 | (21,617) |
| Additions to non-current segment assets during the period | 179,366 | 312,892 | 319,605 | 407,443 | 498,971 | 720,335 |
| As at 30 June/31 December | | | | | | |
| Reportable segment assets (including interest in associates and joint ventures) | 14,478,676 | 13,849,637 | 4,874,896 | 5,330,331 | 19,353,572 | 19,179,968 |
| Reportable segment liabilities | 8,799,457 | 8,298,288 | 1,008,118 | 1,729,465 | 9,807,575 | 10,027,753 |

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

(c) Reconciliations of reportable segment profit or loss

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Reportable segment profit | 1,188,651 | 1,292,278 |
| Depreciation and amortisation | (203,197) | (170,709) |
| Net finance costs | (55,942) | (26,922) |
| Reversal of provision/(provision) for impairment losses on trade and other receivables | 9,748 | (21,617) |
| | <u>9,748</u> | <u>(21,617)</u> |
| Consolidated profit before taxation | <u>939,260</u> | <u>1,073,030</u> |

5 OTHER INCOME

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Net realised and unrealised gain on derivative financial instruments and structured deposits products (<i>note</i>) | 60,965 | 133,583 |
| Government grants | 31,007 | 24,322 |
| Others | 2,480 | 22,824 |
| | <u>2,480</u> | <u>22,824</u> |
| | <u>94,452</u> | <u>180,729</u> |

Note: Net realised and unrealised gain on derivative financial instruments mainly represented the net gain from commodity futures contracts entered into by the Group during the period ended 30 June 2024 and 2023.

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Interest income | <u>(28,677)</u> | <u>(27,288)</u> |
| Finance income | <u>(28,677)</u> | <u>(27,288)</u> |
| Interest on discounted bills receivable | 26,416 | 12,709 |
| Interest on secured bank loans | 22,715 | 9,506 |
| Interest on lease liabilities | <u>14,196</u> | <u>16,339</u> |
| Total interest expense | 63,327 | 38,554 |
| Bank and other charges | 10,919 | 12,938 |
| Foreign exchange loss, net | <u>10,373</u> | <u>2,718</u> |
| Finance costs | <u>84,619</u> | <u>54,210</u> |
| Net finance costs | <u>55,942</u> | <u>26,922</u> |

(b) Staff costs

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Salaries, wages, bonus and other benefits | 427,311 | 382,681 |
| Contributions to defined contribution retirement plan | <u>8,405</u> | <u>7,409</u> |
| | <u>435,716</u> | <u>390,090</u> |

(c) Other items

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Amortisation and depreciation | | |
| – property, plant and equipment | 114,233 | 92,693 |
| – right-of-use assets | 77,843 | 72,558 |
| – intangible assets | 11,121 | 5,458 |
| (Reversal of provision)/provision for impairment loss on trade and other receivables | | |
| – trade receivables | (9,444) | 20,886 |
| – other receivables | (304) | 731 |
| Cost of inventories | | |
| – carrying amount of inventories sold | 16,835,005 | 14,906,517 |
| – write-down of inventories | 144,710 | 90,599 |

7 INCOME TAX

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| Current tax-Hong Kong Profits Tax | | |
| Provision for the period | 13,987 | 2,376 |
| Current tax-Outside of Hong Kong | | |
| Provision for the period | 120,061 | 135,315 |
| Under-provision in respect of prior years | 7,562 | 6,056 |
| Deferred Tax | | |
| Origination and reversal of temporary differences | (32,453) | 34,367 |
| | <u>109,157</u> | <u>178,114</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% (2023: 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% (2023: 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.

Pillar Two income taxes

The Group is subject to the global minimum top-up tax under the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“**OECD**”).

The Group has mainly operation in Hong Kong, Singapore, Chinese Mainland and Mongolia. It is within the scope of the OECD Pillar Two model rules. As of the reporting date, there is no public announcement in jurisdictions including Chinese Mainland. Singapore has announced that it plans to introduce the Qualified Domestic Minimum Top-Up Tax (“**QDMTT**”) and Income Inclusion Rule (“**IIR**”) from 2025 onwards and legislation plan has not been announced. Hong Kong has announced that it plans to implement the QDMTT, IIR and Undertaxed Payment Rule (“**UTPR**”) starting from 2025 onwards and expects to submit legislative proposals to the Legislative Council in the second half of 2024. Mongolia has announced that it plans to introduce the Pillar Two rules but the implementation of the rules and the legislation plan have not been announced.

Since the Pillar Two legislation in the jurisdictions that the Group operates in was not enacted or substantively enacted as at the reporting date, and due to the uncertainty of the announcement of the legislation and the complexities in applying the legislation and calculating the Global Anti-Base Erosion Proposal (“**GloBE**”) income, the Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect.

The Group has applied the temporary mandatory exception from deferred tax accounting for the top-up tax and accounted for the tax as current tax when incurred.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2024 is based on profit attributable to equity shareholders of the Company of HK\$782,859,000 (six months ended 30 June 2023: HK\$844,604,000) and the weighted average number of ordinary shares of 2,663,980,000 (six months ended 30 June 2023: 2,688,140,000 shares) in issue during the six months ended 30 June 2024, calculated as follows:

Weighted average number of ordinary shares (basic):

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | 2024 | 2023 |
| | '000 | '000 |
| Issued ordinary shares at 1 January | 2,705,997 | 2,867,923 |
| Effect of purchase of own shares | (8,288) | (146,054) |
| Effect of purchase of shares held by the employee share trusts* | (33,729) | (33,729) |
| | <u>2,663,980</u> | <u>2,688,140</u> |

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

(b) Diluted earnings per share

For the six months ended 30 June 2024 and 2023, basic and diluted earnings per share were the same as there were no potentially dilutive ordinary shares in issue during the period.

9 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

(a) Acquisitions and disposals

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with the amount of HK\$121,136,000 (six months ended 30 June 2023: HK\$65,520,000). On the other hand, items of property, plant and equipment with a net book value of HK\$117,271,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$10,345,000), resulting in a gain on disposal of HK\$3,890,000 (six months ended 30 June 2023: HK\$1,034,000).

(b) Transfer from construction in progress

During the six months ended 30 June 2024, construction in progress with a cost of HK\$146,039,000 (six months ended 30 June 2023: HK\$306,164,000) has been transferred into property, plant and equipment.

(c) As at 30 June 2024, property ownership certificates of certain properties of the Group with an aggregate net book value of HK\$339,149,000 (31 December 2023: HK\$227,273,000) are yet to be obtained, the Group is in the progress of applying for registration of the ownership certificates for such properties.

(d) As at 30 June 2024, property, plant and equipment of the Group of HK\$796,857,000 (31 December 2023: HK\$730,220,000) have been pledged as collateral for the Group's borrowings (see note 14), bills payable (see note 13) and lease liabilities.

10 OTHER NON-CURRENT ASSETS

| | At 30 June 2024 HK\$'000 | At 31 December 2023 HK\$'000 |
|--|---|---|
| Loan to a joint venture (<i>note</i>) | 340,115 | 205,921 |
| Advance payments for property and equipment and construction in progress | 56,015 | 45,706 |
| | <u>396,130</u> | <u>251,627</u> |

Notes:

On 4 January 2023, the Group entered into a loan agreement (“**2023 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 2023 Loan Agreement, the maximum cap under 2023 Loan Agreement 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 the collateral of the loan. In the first half of 2024, the Group entered into another loan agreement (“**2024 Loan Agreement**”) with the Joint Venture to finance its purchase of additional logistics facilities. The maximum cap under 2024 Loan Agreement is US\$15,800,000. and the terms were identical to the 2023 Loan Agreement. As at 30 June 2024, the aggregated principal amount of the loan to the Joint Venture amounted to US\$40,800,000 (equivalent to HK\$318,571,000), and the accrued interest amounted to US\$2,759,000 (equivalent to HK\$21,544,000).

11 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

| | At 30 June 2024 <i>HK\$’000</i> | At 31 December 2023 <i>HK\$’000</i> |
|--------|--|--|
| Coal | 2,625,702 | 3,383,414 |
| Others | 24,787 | 41,541 |
| | <u>2,650,489</u> | <u>3,424,955</u> |

At 30 June 2024, inventory of the Group of HK\$1,009,149,000 (31 December 2023: HK\$1,023,315,000) have been pledged as collateral for the Group’s borrowings (see note 14), bills payable (see note 13).

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 2024 <i>HK\$'000</i> | At 31 December 2023 <i>HK\$'000</i> |
|--|--|--|
| Within 3 months | 1,502,938 | 1,341,226 |
| 3 to 6 months | <u>82,592</u> | <u>106,972</u> |
| Trade debtors and bills receivable, net of loss allowance | 1,585,530 | 1,448,198 |
| Bank acceptance bill | 2,449,892 | 1,005,692 |
| Other debtors | <u>117,684</u> | <u>56,660</u> |
| Financial assets measured at amortised cost | 4,153,106 | 2,510,550 |
| Deposits and prepayments | 1,175,909 | 1,300,343 |
| Other tax recoverable | 323,635 | 457,586 |
| Derivative financial instruments (<i>note i</i>) | 96,559 | 200,171 |
| Investment in structured deposit products (<i>note ii</i>) | <u>406,023</u> | <u>410,665</u> |
| | <u>6,155,232</u> | <u>4,879,315</u> |

Notes:

- (i) As at 30 June 2024 and 31 December 2023, derivative financial instruments represented the fair value of commodity futures contracts entered into by the Group.
- (ii) As at 30 June 2024 and 31 December 2023, the structured deposit products were issued by two commercial banks with variable interest rates.

At 30 June 2024, bills receivable of the Group of HK\$1,611,607,000 (31 December 2023: HK\$381,255,000) have been pledged as collateral for the Group's bills payable (see note 13).

At 30 June 2024, trade and bills receivables discounted at banks with recourse total HK\$582,085,000 (31 December 2023: HK\$811,423,000). These trade and bills receivables 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 2024 <i>HK\$'000</i> | At 31 December 2023 <i>HK\$'000</i> |
|--|--|--|
| Within 3 months | 3,488,877 | 3,284,326 |
| More than 3 months but less than 6 months | 1,051,217 | 436,306 |
| More than 6 months but less than 1 year | 64,350 | 266,680 |
| More than 1 year | <u>15,776</u> | <u>17,179</u> |
| Total trade and bills payables | 4,620,220 | 4,004,491 |
| Payables for construction projects and equipment | 172,546 | 257,372 |
| Payables for staff related costs | 279,363 | 569,896 |
| Payables for other taxes | 76,934 | 84,496 |
| Dividends payable | 338,727 | 234,599 |
| Payables for acquisition of subsidiary | 32,576 | 145,317 |
| Others | <u>85,643</u> | <u>57,101</u> |
| Financial liabilities measured at amortised cost | <u>5,606,009</u> | <u>5,353,272</u> |

The Group's bills payable are analysed as follows:

| | At 30 June 2024 <i>HK\$'000</i> | At 31 December 2023 <i>HK\$'000</i> |
|---|--|--|
| Secured by restricted bank deposits, property, plant and equipment, land use rights and inventories | 1,258,107 | 722,398 |
| Secured by restricted bank deposits, bills receivable and structured deposits | <u>2,449,420</u> | <u>1,239,241</u> |
| | <u>3,707,527</u> | <u>1,961,639</u> |

14 SECURED BANK LOANS

The secured bank loans are analysed as follows:

| | At 30 June 2024 <i>HK\$'000</i> | At 31 December 2023 <i>HK\$'000</i> |
|--|--|--|
| Secured by discounted trade and bills receivables | 582,085 | 805,768 |
| Secured by restricted bank deposits, property, plant and equipment, land use rights and inventories | 492,451 | 677,002 |
| Secured by restricted bank deposits | 157,475 | 136,586 |
| Credit guarantee | 762,494 | 427,803 |
| | <u>1,994,505</u> | <u>2,047,159</u> |

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2024 | 2023 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interim dividend declared and paid after the interim period of HK\$0.073 (six months ended 30 June 2023: HK\$0.078 per share) | <u>195,715</u> | <u>211,151</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 | |
|---|--------------------------|-----------------|
| | 2024 | 2023 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$0.118 per share (six months ended 30 June 2023: HK\$0.084) | <u>319,509</u> | <u>240,611</u> |

(b) Share capital

| | 2024 | | 2023 | |
|--|-------------------------------|------------------|-------------------------------|------------------|
| | <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 at 1 January | 2,705,997 | 5,420,519 | 2,867,923 | 5,661,398 |
| Cancellation of repurchased shares (note) | <u>(7,820)</u> | <u>(7,426)</u> | <u>(161,926)</u> | <u>(240,879)</u> |
| At 30 June 2024/31 December 2023 | <u>2,698,177</u> | <u>5,413,093</u> | <u>2,705,997</u> | <u>5,420,519</u> |

Note:

During the six months ended 30 June 2024, the Company cancelled in aggregate of 7,820,000 its own shares from the open market (six months ended 30 June 2023: 161,926,000).

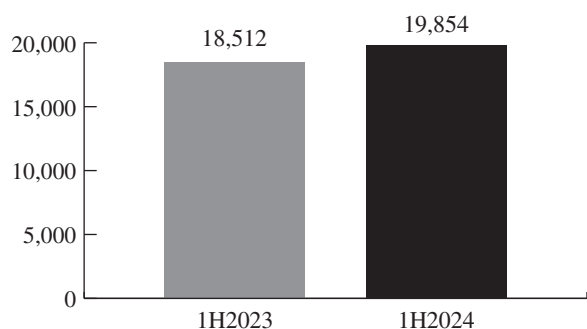
16 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current period's presentation.

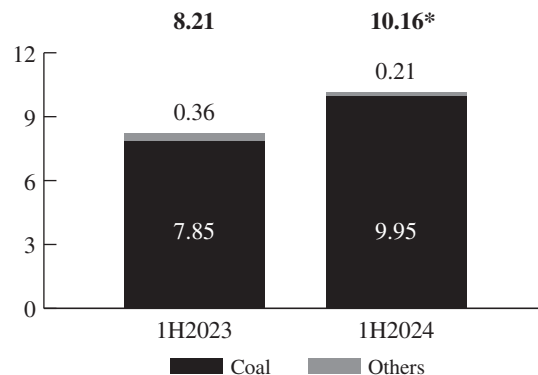
MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW

Revenue (in HK\$ million)

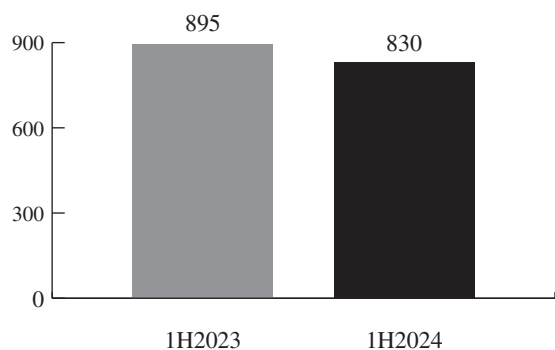


Supply Chain Trading Volume (million tonnes)

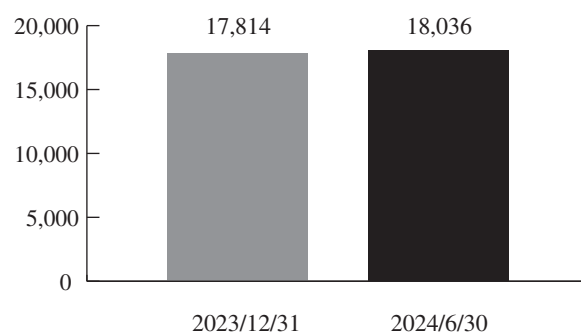


* Excluding sales volume of approximately 4.88 million tonnes of Mongolia coal traded through our associate Xianghui Energy.

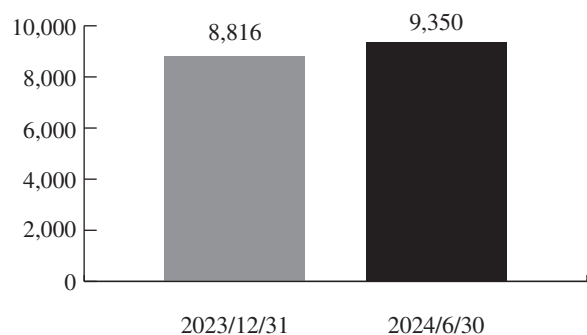
Net Profit (in HK\$ million)



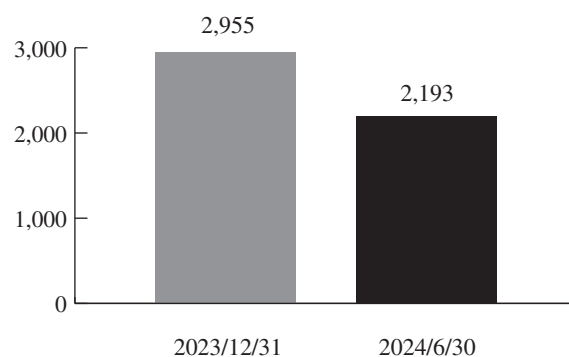
Total Assets (in HK\$ million)



Total Equity (in HK\$ million)



Cash Balance (in HK\$ million)



II. FINANCIAL REVIEW

1. Revenue Overview

In the first half of 2024, both domestic and international environment was complex and unpredictable, particularly marked by frequent global geopolitical conflicts and international trade tensions. Weak domestic demand and immense pressures on enterprises posed many difficulties and challenges in maintaining stable economic operations. In response to these challenges, the Company's management team strategically adapted to the changing circumstances, continuously refining its overall planning and business strategies. With the collaborative efforts of all the departments, the Company recorded a consolidated revenue of approximately HK\$19,854 million, representing an increase of approximately 7.25% compared to approximately HK\$18,512 million for the first half of 2023, mainly due to the coal trading volume increased by 26.73% compared with the same period last year, resulting in the coal trading revenue increased by 19.89% compared with the same period last year.

| | Six months ended 30 June | |
|--|--------------------------|-------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Disaggregated by major products or service lines | | |
| – Coal | 16,858,477 | 14,061,455 |
| – Rendering of integrated supply chain services | 2,100,552 | 3,072,510 |
| – Oil and petrochemical products | 746,656 | 1,106,862 |
| – Iron ore | 112,917 | 194,140 |
| – Coke | – | 27,025 |
| – Others | 35,418 | 50,479 |
| | <u>19,854,020</u> | <u>18,512,471</u> |

For the first half of 2024, revenue in the amount of approximately HK\$4,911 million was generated from outside the PRC (including Hong Kong, Macau and Taiwan), representing 24.74% of the total revenue. Among which, both revenue generated from Indonesia and Malaysia increased significantly, by approximately 83.90% and 71.94%, respectively, compared with the same period in 2023.

| | Six months ended 30 June | |
|---|---------------------------------|-------------------|
| | 2024 | 2023 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| – The PRC (including Hong Kong, Macau and Taiwan) | 14,942,943 | 14,430,553 |
| – Indonesia | 1,835,536 | 998,118 |
| – Malaysia | 1,011,534 | 588,303 |
| – South Korea | 713,909 | 589,833 |
| – Japan | 503,291 | 138,123 |
| – Mongolia | 422,881 | 342,706 |
| – India | 295,276 | 639,504 |
| – Vietnam | 128,650 | 447,112 |
| – Netherlands | – | 338,219 |
| | <u>19,854,020</u> | <u>18,512,471</u> |

For the first half of 2024, the revenue from our top five customers accounted for 47.22% of our total revenue, whereas the same ratio was 43.12% in the first half of 2023. These customers are mainly large-scale, state-owned steel groups in China, all of which are in leading positions in the industry.

Supply Chain Trading

For the first half of 2024, our supply chain trading business sector recorded a revenue of approximately HK\$17,718 million, representing approximately 89.24% 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 and iron ore.

The revenue generated from coal products increased by approximately 19.89% from approximately HK\$14,061 million in the first half of 2023 to approximately HK\$16,858 million in the first half of 2024.

Integrated Supply Chain Services

For the first half of 2024, the Company recorded a revenue of approximately HK\$2,101 million from the integrated supply chain services segment, representing a decrease of approximately 31.63% compared to approximately HK\$3,073 million in the first half of 2023. This was mainly due to the transportation price continued to fall, which had an impact on revenue.

Business Prospects

The Company is positioned within the steel industry's supply chain, with major international mining companies upstream and large domestic and international state-owned enterprises downstream. Both ends of the chain are under pressure to meet tough energy-saving and carbon reduction targets. As a leading full service provider across the entire supply chain, our operations span mining, transportation, warehousing and processing. In line with national environmental policies, we are committed to actively supporting the industry's transformation towards energy conservation and reduced carbon emissions. We are dedicated to maintaining our market position through this transition, integrating our business strategy and planning to carve out a path toward sustainable development focused on new energy and intelligent technologies. We plan to invest in areas such as "intelligent mining" and "intelligent transportation" to expedite our transition to green energy use. Simultaneously, we will continue to capitalise on our strengths, investing in the expansion of the Sino-Mongolia land port and enhancing the construction of the Sino-Mongolia energy corridor, thereby making a substantial contribution to the country's strategic expansion northward.

2. Cost of Sales and Procurement

Cost of sales for the first half of 2024 was approximately HK\$18,622 million, representing an approximately 8.00% increase compared to approximately HK\$17,243 million in the first half of 2023. This was mainly due to increased volume of coal trading, 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 | | | |
|--------------------------------|---------------------------------|----------------------------|--------------------|---------------------|
| | 2024 | | 2023 | |
| | Procurement volume | Procurement amounts | Procurement volume | Procurement amounts |
| | '000 tonnes | HK\$'000 | '000 tonnes | HK\$'000 |
| Coal | 8,719 | 13,881,556 | 7,331 | 12,086,916 |
| Oil and petrochemical products | 82 | 739,631 | 124 | 1,018,469 |
| Iron ore | 110 | 95,992 | 205 | 186,292 |
| Coke | — | — | 10 | 22,728 |
| | 8,911 | 14,717,179 | 7,670 | 13,314,405 |

In the first half of 2024, the total procurement amount was approximately HK\$14,717 million, of which, the procurement amount from top five suppliers accounted for approximately 34.71% 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

In the first half of 2024, the volatility of coking coal prices decreased, with a generally tight balance maintained between supply and demand. In the first quarter, due to weak demand from end users, steel mills were increasingly inclined to cut back production, resulting in notably lower molten iron output compared to the same period last year, and a consistent decline in coking coal prices. As demand for major steel varieties entered the high season in the second quarter, steel mills were more eager to increase production. However, after a temporary rebound, coking coal prices dipped again. On the supply side, domestic coking coal production was impacted by safety inspections, while imports provided additional supply. In this context, the Company posted approximately HK\$1,226 million in gross profit for the first half of 2024, of which, the supply chain trading business contributed 56.36% to the gross profit, and the integrated supply chain services contributed 43.64%.

It is worth noting that the Company’s comprehensive control over the entire supply chain has enabled us to effectively manage costs. Additionally, by actively adapting to changing market conditions and aligning with policy directions, for the integrated supply chain services sector, the Company achieved a gross profit of HK\$535 million and a gross profit margin thereof is approximately 25.47%.

4. Administrative Expenses

The Group recorded administrative expenses of approximately HK\$420 million for the first half of 2024, representing an increase of approximately 9.38% compared to administrative expenses of approximately HK\$384 million for the first half of 2023.

5. Staff Costs

| | Six months ended 30 June | |
|---|---------------------------------|-----------------------|
| | 2024 | 2023 |
| | HK\$’000 | HK\$’000 |
| Salaries, wages, bonus and other benefits | 427,311 | 382,681 |
| Contributions to defined contribution retirement plan | 8,405 | 7,409 |
| | <u>435,716</u> | <u>390,090</u> |

6. Other Income

The Group recorded an other income of approximately HK\$94 million for the first half of 2024, compared to the other income of approximately HK\$181 million for the first half of 2023. This was mainly due to using derivative instruments for hedging purposes whereby the Company generated approximately HK\$40 million in gains from the futures market.

7. Net Finance Costs

The Group recorded net finance costs of approximately HK\$56 million for the first half of 2024, representing an increase of approximately 107.41% compared to the net finance costs of approximately HK\$27 million for the first half of 2023. The increase was mainly due to an increase in interest expense by approximately 64.26% compared to the amount incurred for the first half of 2023. Such an increase was primarily due to the increased trading volume which resulted in the increased use of credit facility, and the increase in bill settlement leads to the bill discount increased.

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Interest income | <u>(28,677)</u> | <u>(27,288)</u> |
| Finance income | <u>(28,677)</u> | <u>(27,288)</u> |
| Interest on discounted bills receivable | 26,416 | 12,709 |
| Interest on secured bank loans | 22,715 | 9,506 |
| Interest on lease liabilities | <u>14,196</u> | <u>16,339</u> |
| Total interest expense | 63,327 | 38,554 |
| Bank and other charges | 10,919 | 12,938 |
| Foreign exchange loss, net | <u>10,373</u> | <u>2,718</u> |
| Finance costs | <u>84,619</u> | <u>54,210</u> |
| Net finance costs | <u>55,942</u> | <u>26,922</u> |

8. Profit attributable to Equity Shareholders and Earnings per Share

The profit attributable to equity shareholders was approximately HK\$783 million for the first half of 2024, representing a decrease of approximately 7.34% compared to the profit attributable to equity shareholders of approximately HK\$845 million in the first half of 2023.

Both basic and diluted earnings per share were HK\$0.294 for the six months ended 30 June 2024.

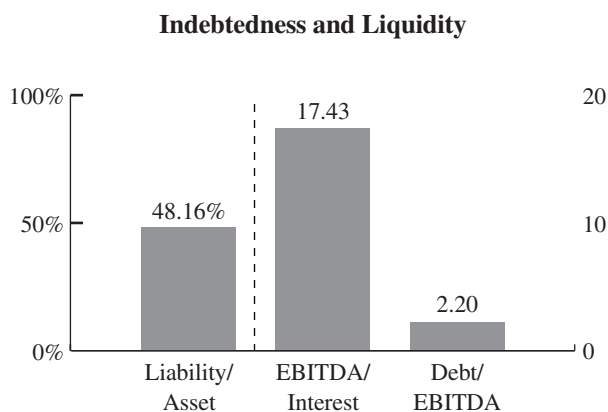
9. Inventories

| | At 30 June 2024 <i>HK\$'000</i> | At 31 December 2023 <i>HK\$'000</i> |
|--------|--|--|
| Coal | 2,625,702 | 3,383,414 |
| Others | <u>24,787</u> | <u>41,541</u> |
| | <u>2,650,489</u> | <u>3,424,955</u> |

As at 30 June 2024, the amount of inventories is approximately HK\$2,650 million, representing a decrease of approximately 22.63% compared to approximately HK\$3,425 million as at 31 December 2023, and the impairment arrangement of inventories was approximately HK\$145 million.

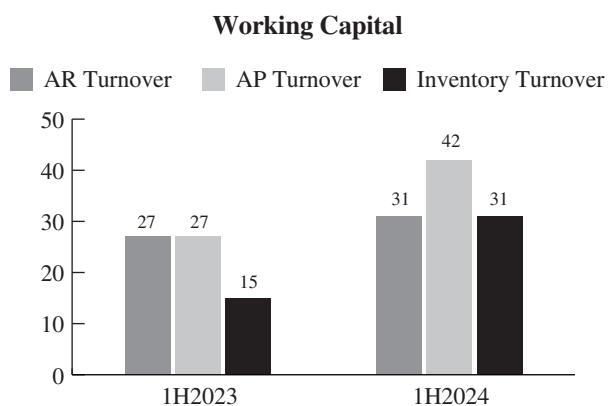
10. Indebtedness and Liquidity

As at 30 June 2024, the total amount of bank loans owed by the Group was approximately HK\$1,995 million. Interest rates on these loans range from 1.57% to 7.36% per annum, whereas the range for the same period in 2023 was from 2.50% to 8.90%. The Group's gearing ratio as at 30 June 2024 was 48.16%, which represents a decrease compared to approximately 50.51% as at 31 December 2023. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.



11. Working Capital

For the first half of 2024, our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were approximately 31 days, 42 days, and 31 days, respectively. As a result, the overall cash conversion cycle was approximately 20 days.



12. Pledge of Assets

At 30 June 2024, bank loans amounting to HK\$762 million (31 December 2023: HK\$428 million) had been secured by credit guarantee with a guarantee amount of HK\$760 million (31 December 2023: HK\$409 million) provided by subsidiaries of the Group and restricted bank deposits with an aggregate carrying value of HK\$2 million (31 December 2023: HK\$19 million).

At 30 June 2024, bank loans amounting to HK\$492 million (31 December 2023: HK\$677 million) together with bills payable amounting to HK\$1,258 million (31 December 2023: HK\$722 million) had been secured by restricted bank deposits with an aggregate carrying value of HK\$213 million (31 December 2023: HK\$66 million), property, plant and equipment with an aggregate carrying value of HK\$737 million (31 December 2023: HK\$629 million), land use rights with an aggregate carrying value of HK\$102 million (31 December 2023: HK\$54 million), and inventories with an aggregate carrying value of HK\$1,009 million (31 December 2023: HK\$1,023 million).

At 30 June 2024, bank loans amounting to HK\$582 million (31 December 2023: HK\$806 million) had been secured by trade and bills receivable with an aggregate carrying value of HK\$582 million (31 December 2023: HK\$811 million).

At 30 June 2024, bank loans amounting to HK\$157 million (31 December 2023: HK\$137 million) had been secured by restricted bank deposits with an aggregate carrying value of HK\$157 million (31 December 2023: HK\$136 million).

At 30 June 2024, bills payable amounting to HK\$2,449 million (31 December 2023: HK\$1,239 million) had been secured by restricted bank deposits with an aggregate carrying value of HK\$719 million (31 December 2023: HK\$520 million), structured deposits with an aggregate carrying value of HK\$406 million (31 December 2023: HK\$406 million), and bills receivable with an aggregate carrying value of HK\$1,612 million (31 December 2023: HK\$381 million).

At 30 June 2024, lease liabilities amounting to HK\$94 million (31 December 2023: HK\$134 million) have been secured by property, plant and equipment with an aggregate carrying value of HK\$60 million (31 December 2023: HK\$102 million), land use rights with an aggregate carrying value of HK\$30 million (31 December 2023: HK\$30 million).

13. Cash Flow

For the first half of 2024, the Group had a net cash inflow from operating activities of approximately HK\$379 million compared to approximately HK\$1,716 million net cash inflow during the same period in 2023. The net cash inflow from operating activities in the first half of 2024 was mainly attributable to cash profit.

For the first half of 2024, the Group had a net cash outflow from investing activities of approximately HK\$748 million compared to approximately HK\$586 million net cash outflow during the same period in 2023. The cash outflow from investing activities in the first half of 2024 was approximately HK\$1,221 million which was mainly attributable to a cash outflow from logistics assets, coal washing plant construction and equipment, and other property investments of approximately HK\$495 million, increased occupation of restricted fund of approximately HK\$462 million, and acquisition of subsidiary of HK\$113 million. The cash inflow from investing activities in the first half of 2024 was approximately HK\$473 million, which was attributable to a cash inflow from receipt of dividends from associates, joint ventures and other investments of approximately HK\$169 million and receipt from futures business of approximately HK\$163 million.

For the first half of 2024, the Group had a net cash outflow from financing activities of approximately HK\$379 million compared to approximately HK\$353 million net cash outflow during the same period in 2023. The net cash outflow from financing activities in the first half of 2024 was mainly attributable to the payment of dividends of approximately HK\$210 million, lease repayments of approximately HK\$149 million and the further capital contribution in Inner Mongolia E-35 Technology Co., Ltd.* (內蒙古易至科技股份有限公司) and Inner Mongolia Haotong Environmental Technology Co., Ltd.* (內蒙古浩通環保科技有限公司) from Xiamen Xiangyu Joint Stock Company Limited* (廈門象嶼股份有限公司) of approximately HK\$109 million.

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 2024, 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 56.31% of the Group's turnover in the first half of 2024 were denominated in Renminbi. Over 81.70% 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.

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 2024, 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 2024, the Group had 1,759 full-time employees (excluding 966 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 | 203 | 11% |
| Front-line production, production support and maintenance | 81 | 5% |
| Sales and marketing | 138 | 8% |
| Others (including projects, coal washing and transportations) | 334 | 19% |
| Cargo drivers (Mongolia) | <u>1,003</u> | <u>57%</u> |
| | <u><u>1,759</u></u> | <u><u>100%</u></u> |

Employee Education Overview

| Qualifications | No. of Employees | Percentage |
|--|-----------------------------|--------------------|
| Master and above | 116 | 7% |
| Bachelor | 386 | 22% |
| Diploma | 132 | 8% |
| Middle-school (secondary school) and below | <u>1,125</u> | <u>63%</u> |
| | <u><u>1,759</u></u> | <u><u>100%</u></u> |

Training Overview

Training is essential for the Group to improving the employees' working capabilities and management skills. For the six months ended 30 June 2024, the Group held various internal and external training programs in an aggregate of 519 training hours for 4,830 participants in total.

| Training Courses | No. of hours | No. of participants |
|---------------------------|---------------------|----------------------------|
| Safety | 138 | 1,446 |
| Management and leadership | 61 | 236 |
| Professional skill | <u>320</u> | <u>3,148</u> |
| | <u>519</u> | <u>4,830</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 2024.

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 2023. 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 2024, the Company had a total of 2,698,176,962 Shares in issue. In April 2024, the Company cancelled 7,820,000 Shares that repurchased during 2023. The Company repurchased a total of 1,630,000 Shares on the Stock Exchange in June 2024, all the repurchased Shares have been cancelled in July 2024.

VIII. INTERIM DIVIDEND

The declaration of an interim dividend in cash of HK\$0.073 per Share or approximately HK\$196 million for the six months ended 30 June 2024 has been approved by the Board, which is expected to be payable on or around 16 January, 2025. 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.

IX. OTHER INFORMATION AND SUBSEQUENT EVENTS

On 8 August 2024, the Company, as the purchaser, entered into a sale and purchase agreement with Seven Rocks Investment Limited, as the vendor, in relation to the acquisition of the 70% of the issued share capital of Five Hills Investment Limited by the Company for a cash consideration of US\$77,900,000. Upon completion of the aforesaid acquisition, Five Hills Investment Limited will become a wholly-owned subsidiary of the Company. For further details, please refer to the announcement of the Company dated 8 August 2024.

X. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2024, the Company fully complied with the code provisions (the “**Code Provisions**”) set out in Part 2 of Appendix C1 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.

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

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 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 2024.

XII. REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2024. The interim results are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

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

This interim results announcement is published on the websites of the Company (www.e-comm.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2024 will be available on the above websites in due course.

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

Hong Kong, 23 August 2024

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. Jin Zhiqiang and the independent non-executive directors of the Company are Mr. Ng Yuk Keung, Mr. Wang Wenfu and Mr. Gao Zhikai.

* *For identification purposes only*