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

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1733)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors ("**Directors**") of E-Commodities Holdings Limited (the "**Company**") is pleased to present the annual results of the Company and its subsidiaries (the "**Group**", "**E-Commodities**", "**we**" or "**us**") for the year ended 31 December 2020 together with comparative figures in 2019.

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
(in HK$ million)	**2020**	2019	Year-on-year Change
Revenue	**21,977**	30,052	-26.87%
Profit before taxation	**552**	325	+69.85%
Net profit	**453**	313	+44.73%
Basic earnings per share (HK$)	**0.152**	0.103	+47.57%
Diluted earnings per share (HK$)	**0.152**	0.097	+56.70%
Total equity	**3,811**	3,142	+21.29%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	2020	2019
		$'000	$'000
Revenue	3	**21,977,308**	30,051,788
Cost of sales		**(20,522,997)**	(28,835,112)
Gross profit		**1,454,311**	1,216,676
Other revenue		**14,319**	28,330
Distribution costs		**(67,592)**	(252,816)
Administrative expenses		**(554,639)**	(431,280)
Other operating expenses, net	4	**(142,636)**	(65,837)
(Impairment)/reversal of impairment of non-current assets	5(c)	**(11,241)**	15,800
Profit from operations		**692,522**	510,873
Finance income		**50,382**	46,684
Finance costs		**(227,851)**	(243,624)
Net finance costs	5(a)	**(177,469)**	(196,940)
Share of profits of associates		**47,972**	11,115
Share of losses of joint ventures		**(10,800)**	(90)
Profit before taxation		**552,225**	324,958
Income tax	6	**(99,678)**	(12,155)
Profit for the year		**452,547**	312,803

	Note	2020	2019
		$'000	*$'000*
Profit attributable to:			
Equity shareholders of the Company		**462,364**	312,404
Non-controlling interests		**(9,817)**	399
Profit for the year		**452,547**	312,803
Earnings per share	*7*		
Basic (HK$)		**0.152**	0.103
Diluted (HK$)		**0.152**	0.097

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

(Expressed in Hong Kong dollars)

	Note	**At 31 December 2020** *$'000*	At 31 December 2019 *$'000*
Non-current assets			
Property, plant and equipment, net	*8*	**802,989**	657,682
Right-of-use assets	*10*	**914,462**	738,014
Construction in progress	*9*	**441,697**	81,624
Intangible assets		**88,186**	103,494
Interest in associates	*11*	**1,259,701**	1,116,007
Interest in joint ventures		**30,458**	16,656
Other investments in equity securities		**106,164**	103,355
Deferred tax assets	*17(b)*	**36,523**	14,531
Total non-current assets		**3,680,180**	2,831,363
Current assets			
Inventories	*12*	**681,533**	1,387,414
Trade and other receivables	*13*	**2,684,538**	3,458,941
Restricted bank deposits		**924,367**	941,928
Cash and cash equivalents		**721,819**	702,915
Total current assets		**5,012,257**	6,491,198
Current liabilities			
Secured bank loans		**920,280**	2,887,531
Trade and other payables	*15*	**2,627,167**	2,058,552
Other interest-bearing borrowings		**712,868**	605,788
Lease liabilities	*16*	**135,538**	78,160
Income tax payable	*17(a)*	**86,954**	72,088
Convertible bonds payables	*14*	**–**	237,502
Total current liabilities		**4,482,807**	5,939,621
Net current assets		**529,450**	551,577
Total assets less current liabilities		**4,209,630**	3,382,940

	Note	At 31 December 2020 $'000	At 31 December 2019 $'000
Non-current liabilities			
Secured bank loans		**81,986**	–
Lease liabilities	*16*	**166,869**	116,276
Deferred income		**129,680**	124,930
Deferred tax liabilities	*17(b)*	**20,482**	–
Total non-current liabilities		**399,017**	241,206
NET ASSETS		**3,810,613**	3,141,734
CAPITAL AND RESERVES			
Share capital		**5,784,673**	5,789,362
Reserves		**(1,857,920)**	(2,527,970)
Total equity attributable to equity shareholders of the Company		**3,926,753**	3,261,392
Non-controlling interests		**(116,140)**	(119,658)
TOTAL EQUITY		**3,810,613**	3,141,734

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)
during the year ended 31 December 2020.

1 CORPORATE INFORMATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

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

- Investments in equity securities; and

- derivative financial instruments.

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

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

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

(c) Changes in accounting policies

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

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7*, Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of material*

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

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

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

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

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

The Group's customer base is diversified and includes one customer which amounted to approximately $2,825,078,000 (2019: one customer which amounted to approximately $3,262,001,000) with whom transactions have exceeded 10% of the Group revenues.

(b) Segment reporting

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

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

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

(i) Segment results, assets and liabilities

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

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

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

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

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

(iii) Geographic information

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

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

4 OTHER OPERATING EXPENSES, NET

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

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

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2020	2019
	$'000	*$'000*
Interest income on financial assets measured at amortised cost	**(26,991)**	(24,314)
Changes in fair value on conversion option embedded in convertible bonds and warrants *(note 14)*	**(23,391)**	(22,370)
Finance income	**(50,382)**	(46,684)
Interest on secured bank loans	**29,947**	74,523
Interest on other interest-bearing borrowings	**28,959**	1,054
Interest on discounted bills receivable	**34,519**	66,487
Interest on lease liabilities	**12,627**	7,362
Interest on convertible bonds *(note 14)*	**68,682**	44,626
Total interest expense	**174,734**	194,052
Bank and other charges	**26,216**	32,104
Foreign exchange loss, net	**26,901**	17,468
Finance costs	**227,851**	243,624
Net finance costs	**177,469**	196,940

(b) Staff costs

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

During the year ended 31 December 2020, staff costs of the Group included accrued bonus of approximately $170,096,000 (year ended 31 December 2019: $61,236,000) for the business sector teams, including coking coal and other teams. The following factors were considered in determining the bonus, business pre-tax profit (calculated by gross profit earned by each business sector team after deducting distributable finance costs and other distributable expenses) made by each business sector team, individual performance, and overall profit of the Company. A certain proportion ranging from 5%-20% of business pre-tax profit made by each business sector team is distributed to the corresponding business sector team in the form of bonus.

(c) Other items

	2020	2019
	$'000	*$'000*
Amortisation and depreciation#		
– property, plant and equipment	**67,974**	58,905
– right-of-use assets	**67,382**	42,715
– intangible assets	**6,946**	7,279
Impairment losses/(reversal of impairment losses) on trade and other receivables		
– trade and bill receivables	**50,845**	(2,279)
– other receivables	**(55)**	(608)
Impairment/(reversal of impairment) of non-current assets		
– property, plant and equipment (*note 8*)	**–**	(15,800)
– intangible asset	**11,241**	–
Auditors' remuneration		
– audit services	**6,506**	5,858
– other services	**19**	506
Cost of inventories#	**19,856,144**	28,700,363

Cost of inventories includes $42,256,000 (2019: $55,722,000) and $79,245,000 (2019: $51,895,000) for the year ended 31 December 2020 relating to staff costs, depreciation and amortisation which amount is also included in the respective total amount disclosed separately above or in note 5(b) for each type of these expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

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

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

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

The provision for PRC current income tax is based on a statutory rate of 25% (2019: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

Weighted average number of ordinary shares (basic):

	2020	2019
	’000	*’000*
Issued ordinary shares at 1 January	**3,046,563**	3,066,723
Effect of purchase of own shares *(note 18(b))*	**(11,923)**	(20,703)
Effect of purchase of shares held by the employee share trusts*	**4,716**	1,028
Weighted average number of ordinary shares (basic) as at 31 December	**3,039,356**	3,047,048

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

(b) Diluted earnings per share

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

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

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

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

8 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Reconciliation of carrying amount

	Land and buildings	**Plant and machinery**	**Railway special assets**	**Motor vehicles**	**Office and other equipment**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:						
At 1 January 2019	914,133	371,278	288,502	143,853	115,920	1,833,686
Additions	70,414	11,608	11,707	108,153	14,817	216,699
Transferred from construction in progress *(note 9)*	84,631	5,194	–	54	5,991	95,870
Disposals	(25,980)	(34,121)	–	(24,867)	(29,698)	(114,666)
Exchange adjustments	(18,486)	(6,077)	(6,442)	(2,183)	(1,282)	(34,470)
At 31 December 2019 and 1 January 2020	1,024,712	347,882	293,767	225,010	105,748	1,997,119
Additions	41,593	16,063	–	58,904	7,338	123,898
Transferred from construction in progress *(note 9)*	32,363	1,948	–	–	25,277	59,588
Disposals	–	(1,935)	–	(8,121)	(4,255)	(14,311)
Exchange adjustments	64,421	18,507	18,135	5,525	5,322	111,910
At 31 December 2020	1,163,089	382,465	311,902	281,318	139,430	2,278,204

	Land and buildings *$'000*	Plant and machinery *$'000*	Railway special assets *$'000*	Motor vehicles *$'000*	Office and other equipment *$'000*	Total *$'000*
Accumulated depreciation and impairment losses:						
At 1 January 2019	638,987	300,123	278,619	86,771	74,722	1,379,222
Charge for the year	22,222	9,715	71	14,456	12,441	58,905
Reversal of impairment loss	(11,907)	(3,893)	–	–	–	(15,800)
Written back on disposal	(17,080)	(13,263)	–	(17,321)	(9,670)	(57,334)
Exchange adjustments	(12,775)	(4,804)	(5,987)	(935)	(1,055)	(25,556)
At 31 December 2019 and 1 January 2020	619,447	287,878	272,703	82,971	76,438	1,339,437
Charge for the year	23,403	8,871	156	20,309	15,235	67,974
Written back on disposal	–	(1,554)	–	(5,651)	(3,844)	(11,049)
Exchange adjustments	42,033	13,022	17,225	3,190	3,383	78,853
At 31 December 2020	684,883	308,217	290,084	100,819	91,212	1,475,215
Net book value:						
At 31 December 2020	478,206	74,248	21,818	180,499	48,218	802,989
At 31 December 2019	405,265	60,004	21,064	142,039	29,310	657,682

At 31 December 2020, property, plant and equipment of the Group of $63,670,000 (31 December 2019: $90,150,000) together with land use rights of $162,501,000 (31 December 2019: $55,538,000) and restricted bank deposits of $30,745,000 (31 December 2019: $48,001,000) have been pledged as collateral for the Group's borrowings, bills payable (see note 15) and lease liabilities (see note 16).

Reversal of impairment loss

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

As at 31 December 2019, due to recovery of the utilisation of certain of the Group's coal processing factories and logistic facilities, an impairment loss of $15,800,000 was reversed for the property, plant and equipment, which was close to their estimated recoverable amounts based on value-in-use calculations. These calculations used cash flow projections based on financial forecasts prepared by management covering a fifteen-year period. The cash flows were discounted using a pre-tax discount rate of 13.00%. The discount rate used are pre-tax and reflected specific risks relating to the relevant segments.

(b) The analysis of net book value of properties

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

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

9 CONSTRUCTION IN PROGRESS

	2020	2019
	$'000	*$'000*
At 1 January	**81,624**	69,486
Additions	**435,201**	108,357
Transferred to property, plant and equipment *(note 8)*	**(59,588)**	(95,870)
Disposals	**(23,450)**	–
Exchange adjustments	**7,910**	(349)
At 31 December	**441,697**	81,624

10 RIGHT-OF-USE ASSETS

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

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

Notes:

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

At 31 December 2020, land use rights of the Group of $137,167,000 (31 December 2019: $55,538,000) together with property, plant and equipment of $10,169,000 (31 December 2019: $90,150,000) and restricted bank deposits of $30,745,000 (31 December 2019: $48,001,000) have been pledged as collateral for the Group's borrowings and bills payable (see note 15).

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

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

	2020	2019
	$'000	*$'000*
Depreciation charge of right-of-use assets	**67,382**	42,715
Interest on lease liabilities *(note 5(a))*	**12,627**	7,362
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December	**2,417**	2,657
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**356**	103

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

11 INTEREST IN ASSOCIATES

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

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

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

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

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

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

Aggregate information of associate that is not individually material:

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

12 INVENTORIES

Inventories in the statement of financial position comprise:

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

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

13 TRADE AND OTHER RECEIVABLES

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

Notes:

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

(ii) As at 31 December 2020 and 31 December 2019, derivative financial instruments represented the fair value of commodity futures contracts entered into by the Group.

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

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

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

At 31 December 2020, bills receivable of the Group of $319,906,000 (31 December 2019: $107,288,000) together with restricted bank deposits of $688,345,000 (31 December 2019: $520,010,000) and trade receivables of $nil (31 December 2019: $37,362,000) have been pledged as collateral for bills payable (see note 15).

Ageing analysis

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

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

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

14 CONVERTIBLE BONDS PAYABLES

	Liability component *$'000*	Derivatives component *$'000*	Warrants *$'000*	Total *$'000*
At 1 January 2019	254,424	61,920	236	316,580
Interest charged during the year *(note 5(a))*	44,626	–	–	44,626
Redemption	(68,070)	(16,395)	–	(84,465)
Repayment of interest	(15,668)	–	–	(15,668)
Fair value adjustment *(note 5(a))*	–	(22,184)	(186)	(22,370)
Exchange adjustment	(1,201)	–	–	(1,201)
At 31 December 2019	214,111	23,341	50	237,502
At 1 January 2020	**214,111**	**23,341**	**50**	**237,502**
Interest charged during the year *(note 5(a))*	**68,682**	**–**	**–**	**68,682**
Repayment of interest	**(10,668)**	**–**	**–**	**(10,668)**
Fair value adjustment *(note 5(a))*	**–**	**(23,341)**	**(50)**	**(23,391)**
Exchange adjustment	**4,066**	**–**	**–**	**4,066**
Redemption	**(276,191)**	**–**	**–**	**(276,191)**
At 31 December 2020	**–**	**–**	**–**	**–**

On 14 September 2017, the Company issued convertible bonds in the aggregate principal amount of US$40,000,000 together with 118,060,606 units of warrants to Lord Central Opportunity VII Limited ("**Subscriber**"). The convertible bonds bear a nominal interest rate at 5% per annum payable semi-annually. The maturity date of the convertible bonds is 14 September 2022. The convertible bonds are convertible into ordinary shares of the Company at the option of the holders of the convertible bonds at any time after the issue date of the convertible bonds and up to the maturity date at an initial conversion price of $0.90 per share, subject to adjustments. As stated in the Company's announcement dated 25 September 2019, pursuant to the provision on adjustments to the conversion price set out in the terms and conditions of the convertible bonds, the conversion price was adjusted to HK$0.604 per share.

At any time after the second anniversary of the issue date until the maturity date, the convertible bondholder may, by issuing a redemption notice in writing to the Company, require the Company to redeem all or part of the outstanding principal amount of the convertible bonds at the redemption amount equal to such amount representing an internal rate of return of 10% on the principal amount of the outstanding convertible bonds to be redeemed (inclusive of interest received but excluding default interest), calculated from the issue date up to the date on which the Company completes the redemption. Interest expenses is calculated using the effective interest method by applying the effective interest rate of 19.64% per annum.

On 15 September 2019, the Company has redeemed US$10,000,000 of the outstanding principal amount of the convertible bonds as required. In addition, the Company paid a fee of US$900,000 ("**Non-put Fee**") to the convertible bondholder for not to excise its right to require the Company to redeem all or part of the outstanding principal amount of the remaining convertible bonds before 14 September 2020.

On 14 August 2020, the Company early redeemed all the remaining outstanding principal amount of the convertible bonds under a mutual and irrevocable agreement with the Subscriber, resulting in interest expenses of $43,820,000 being recognised in profit or loss during the year ended 31 December 2020 in respect of the excess of the outstanding principal amount and all accrued but unpaid interest of the convertible bonds over the liability component of the convertible bonds measured at amortised cost. In addition, interest expenses of $24,862,000 (2019: $44,626,000) calculated using the effective interest method have been recognised in profit or loss during the year ended 31 December 2020.

15 TRADE AND OTHER PAYABLES

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

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

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

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

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

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

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

16 LEASE LIABILITIES

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

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

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

17 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

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

(b) Deferred tax assets and liabilities recognised:

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

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

Reconciliation to the consolidated statement of financial position

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

(c) Deferred tax assets not recognised:

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

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

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

(b) Share capital

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

	2020		2019	
	No. of shares '000	***$'000***	*No. of shares '000*	*$'000*
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	**3,046,563**	**5,789,362**	3,066,723	5,797,302
Cancellation of repurchased shares	**(19,680)**	**(4,689)**	(20,160)	(7,940)
At 31 December	**3,026,883**	**5,784,673**	3,046,563	5,789,362

CHAIRMAN'S STATEMENT

Dear shareholders and colleagues,

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

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

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

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

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

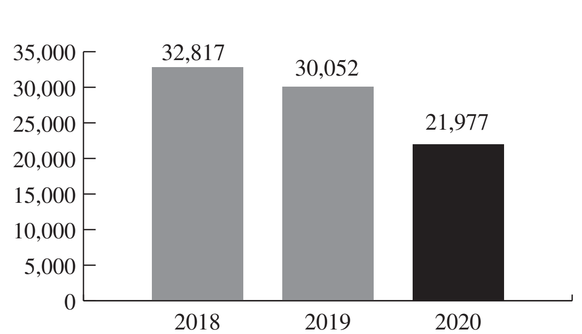
Cao Xinyi
Chairman
E-Commodities Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

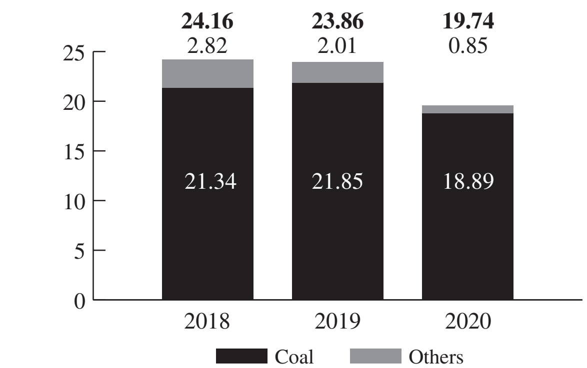
The following discussion and analysis should be read in conjunction with the Group's financial information and the notes thereto. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

I. Overview

Revenue* *(in HK$ million)*

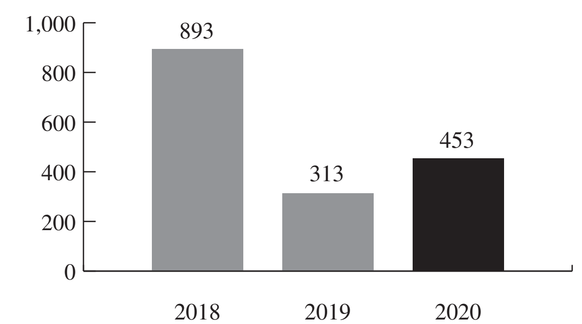


Supply Chain Trading Volume* *(million tonnes)*

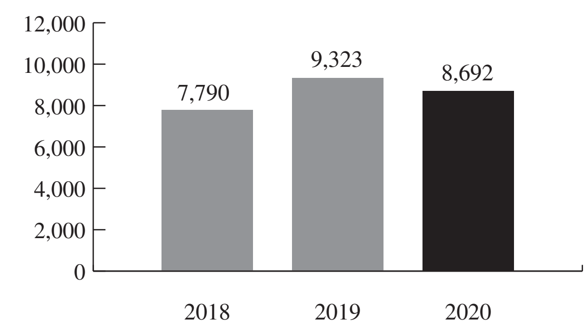


* The revenue and trading volume of Mongolia coal trading business was transferred to and has been recorded in Xianghui Energy since October 2019.

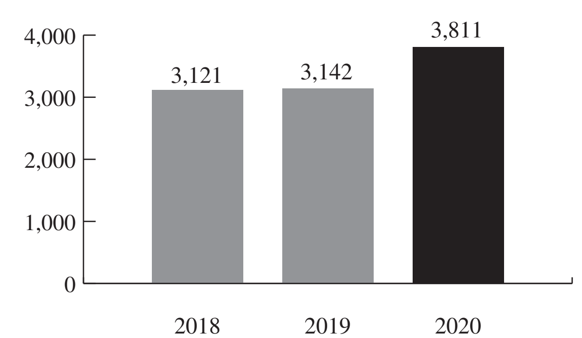
Net Profit *(in HK$ million)*



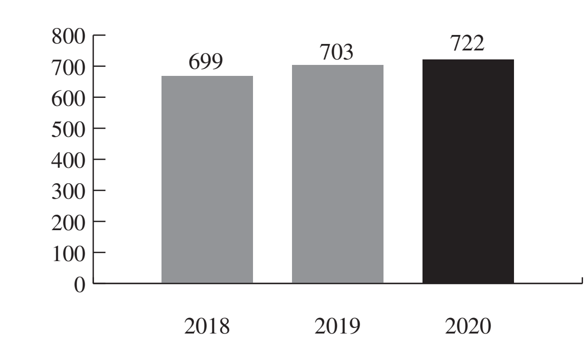
Total Assets *(in HK$ million)*



Total Equity *(in HK$ million)*



Cash Balance *(in HK$ million)*



II. Financial Review

1. Revenue Overview

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

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

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

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

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

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

Supply Chain Trading

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

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

Integrated Supply Chain Services

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

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

In 2020, HK$973 million revenue was generated from the integrated supply chain services business segment. The Group will further explore the integrated supply chain services for commodities, in addition to the steady development of commodities trading.

2. *Cost of Sales*

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

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

In 2020, the total procurement amount was HK$19,181 million, of which, the top five suppliers accounted for 58.13%. No director of the Company or their close associates (as defined under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), or shareholders of the Company owning more than 5% of the issued shares in the Company, has any interest in suppliers.

3. Gross Profit

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

4. Distribution Costs

Distribution costs were HK$68 million in 2020, which was a 73.12% decrease compared to HK$253 million in 2019. The decrease in distribution costs was mainly due to the transfer of our Mongolian coal trading business to Xianghui Energy, which led to a corresponding decrease in the distribution costs of Mongolian coal trading business.

5. Administrative Expenses

Administrative expenses were HK$555 million in 2020, an increase of 28.77% over HK$431 million of administrative expenses incurred in 2019. This was mainly due to the increase in the accrued bonus in 2020 for the business sector teams including coking coal and other teams, which was approximately HK$170 million. The following factors were considered in determining the bonus, business pretax profit contribution (calculated by gross profit earned by each business sector team after deducting distributable finance costs and other distributable expenses) made by each business sector team, individual performance, and overall profit of the Company. The schemes are expected to incentivize business teams to fight for higher market percentage and better profit for the Company and its shareholders, so as to build sustainable competitive advantages for the Company in its industry.

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

6. Other Operating Expenses, Net

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

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

7. Net Finance Costs

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

Net finance costs

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

8. *Net profit and earnings per share*

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

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

9. *Interest in an Associate*

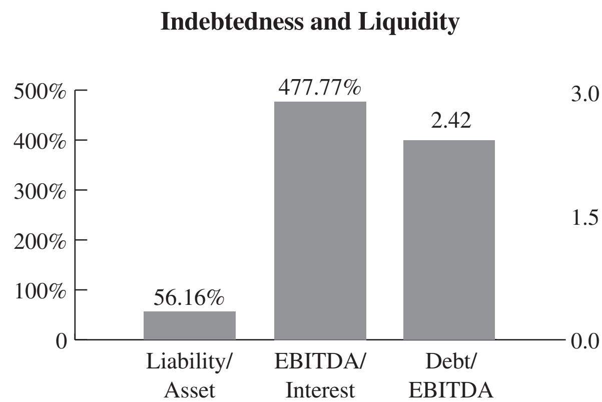
Xianghui Energy commenced operation in October 2019 and is mainly engaged in trading Mongolian coal in the PRC. Xianghui Energy recorded revenue of HK$4,903 million and net profit of HK$156 million during 2020.

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

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

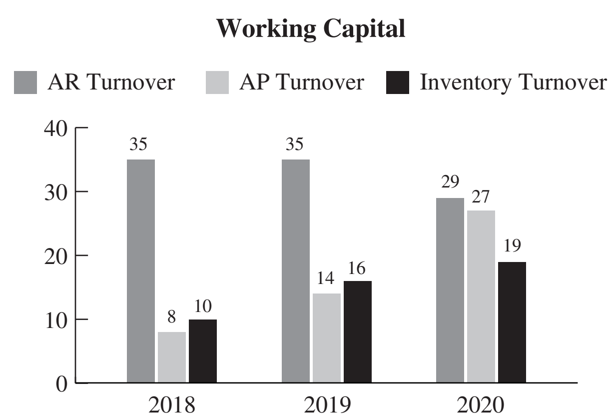
10. *Indebtedness and Liquidity*

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



11. *Working Capital*

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



12. *Contingent Liabilities*

The Company's existing subsidiaries, namely Glorious Gold Holdings Limited, Million Super Star Limited, E-Commodities Japan Co., Ltd.* (株式会社イー·コモディティーズジャパン), E-Commodities Holdings Private Limited, E-Commodities (HK) Holdings Limited, Cheer Top Enterprises Limited, Legend York Star Limited, Color Future International Limited, Standard Rich Inc Limited, King Resources Holdings Limited, Eternal International Logistics Limited, Royce Petrochemicals Limited and E-Commodities International Development (HK) Limited, have provided guarantees for the convertible bonds (the "**Convertible Bonds**") and the 118,060,606 units of warrants (the "**Warrants**") issued on 14 September 2017. The guarantees will be released upon the full and final payment and performance of all obligations of the Company under the Convertible Bonds and Warrants.

On 14 September 2019, the Company repaid principal of US$10,000,000 of the Convertible Bonds leaving outstanding principal of US$30,000,000 as at the end of 2019.

On 14 August 2020, the Company redeemed the outstanding Convertible Bonds in full. Following the redemption, there was no principal amount outstanding under the Convertible Bonds and no Convertible Bonds have been or will be converted into shares of the Company. The Convertible Bonds were fully cancelled and the Company was discharged from all the obligations under and in respect of the Convertible Bonds. The guarantees provided by the subsidiaries of the Company in relation to the Convertible Bonds and Warrants were released and discharged following the completion of the redemption.

13. *Pledge of Assets*

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

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

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

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

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

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

14. Cash Flow

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

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

In 2020, the Group had a cash outflow from financing activities of HK$2,438 million compared to HK$562 million cash inflow during 2019. The cash outflow from financing activities was mainly attributable to a reduction of discounted bills receivable and pledges of the bills receivable of approximately HK$1,508 million.

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

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

Note:

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

(2) Illustrative purpose only.

* Full margin deposit for bills payable

** Discounted bills and bill pledged loans

III. Working Capital and Financial Policy

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

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

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

IV. Risk Factors

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

1. Volatility of Commodities Prices

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

2. Dependence upon the Steel Industry

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

3. Liquidity risk

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

4. Currency risk

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

5. Fair value measurement

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

6. *Impact of COVID-19 Pandemic*

Since early 2020, the COVID-19 pandemic has brought uncertainties in the Group's operating environment and effected the Group's operations and financial position. The Group has been closely monitoring the impact of the COVID-19 pandemic on the Group's businesses and has put in place certain contingency measures. The contingency measures mainly comprise reassessment of the quality of trade receivables and enhancing collection, and reassessing the Group's working capital based on the banking facilities. The Group will review the contingency measures on a continuous basis as the situation evolves. As far as the Group's businesses are concerned, on one hand, the COVID-19 pandemic has caused a decrease in the volume of Mongolian coal imports, and accordingly, has impacted on the relevant integrated supply chain services due to the interruption or shutdown of border-crossings between Mongolia and China in 2020. Currently, the gradual easing of the COVID-19 pandemic situation in Mainland China and stabilization of the global business environment have led to a business recovery. On the other hand, due to the COVID-19 pandemic, the gross profit of coking coal increased due to the differences in China domestic demands and overseas supply, which in turn contributed more gross profit to the Company, to some extent, mitigated the negative impact of the pandemic brought to the Company. As the development and spread of the COVID-19 pandemic subsequent to the date of this announcement is uncertain, further changes in economic conditions for the Group arising therefrom may have further impacts on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will continuously pay attention to the development of COVID-19 pandemic and be reactive to its impact on the financial position and operating results of the Group.

V. Human Resources

1. Employee Overview

The Group aims to set up a performance-oriented compensation and benefit system while balancing the internal and external market competitiveness of different positions. As at 31 December 2020, the Company has subsidiaries and branch offices in China (including Hong Kong and Macau), Singapore, Mongolia and other countries and regions. The Group has entered into formal employment contracts with all employees and pays all mandatory social insurances in full in the relevant countries and regions in strict compliance with the applicable laws and regulations.

As at 31 December 2020, there were 1,119 full-time employees in the Group (excluding 700 dispatch staff from domestic subsidiaries). In order to achieve the goals of high efficiency and environmental protection, the Group has conducted independent operation of the cross-border container transportation business at the Sino-Mongolia border ports since October 2020. The Group has successively recruited 797 Mongolian cargo truck drivers for this business. The breakdown of employee categories is as follows:

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

2. *Employee Education Overview*

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

3. *Training Overview*

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

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

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

Training Overview

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

VI. Health, Safety and Environment

The Company attaches great importance on the health and safety of employees and understands the importance of environment protection. The Lost Time Injury Frequency Rate (LTIFR), Fatality Incident Rate (FTIR) and Total Recordable Case Frequency (TRCF) are key indicators to measure how we achieve our commitment. No casualties, environmental accidents or occupational health and safety accidents occurred in 2020.

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

VII. Final Dividends

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

VIII. Compliance With the CG Code

Throughout the year ended 31 December 2020, the Company complied with the code provisions (the "**Code Provisions**") under the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "**CG Code**"), except for the deviation from the Code Provision A.2.1 which requires that the roles of chairman and chief executive should be separate and not performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below. Ms. Cao Xinyi, the chairman of the Board (the "**Chairman**"), was appointed as the chief executive officer of the Company ("**CEO**") on 18 July 2019. The Board believes that, considering Ms. Cao Xinyi's length of employment and experience in the business and operations of the Group and her professional financial knowledge, vesting the roles of both the Chairman and the CEO in Ms. Cao Xinyi can provide the Group with consistent leadership, facilitate the execution of the Group's business strategies and boost effectiveness of its operations. In addition, under the supervision of the Board (which consists of 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors) and Board committees (only 2 executive Directors served on the Board committees and other members of which are all independent non-executive Directors), the Board is appropriately structured with a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders as a whole. Therefore, the Board considers that the deviation from the Code Provision A.2.1 is appropriate in such circumstances.

Except for the deviation mentioned above from the CG Code, the Company fully complied with all the Code Provisions throughout the year ended 31 December 2020.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("**Model Code**") as its own code of conduct for dealing in securities of the Company by the directors of the Company (the "**Directors**"). Having made specific enquiries of all the Directors, each Director has confirmed that he/she has complied with the required standards set out in the Model Code throughout the year of 2020.

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

As at 31 December 2020, the Company had a total of 3,026,882,356 shares in issue. The Company repurchased a total of 14,316,000 shares on the Stock Exchange during the year ended 31 December 2020. All of the repurchased shares were cancelled in 2020.

XI. Events Subsequent to the Reporting Date

Since January 2020, the outbreak of COVID-19 had a significant impact on the global business environment due to the interruption or slowdown of supply chains and the significant increase in economic uncertainty. Pending the development and spread of COVID-19 subsequent to the financial year ended 31 December 2020, further changes in economic conditions for the Group arising thereof may have an impact on the financial results of the Group, the extent of which could not be estimated as at the date of this annual results announcement. The Group will continue to pay attention to the COVID-19 situation and react promptly to its impact on the financial position and operating results of the Group.

XII. Review of Annual Results

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2020.

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

This annual results announcement is published on the websites of the Company (www.e-comm.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2020 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, 26 March, 2021

As at the date of this announcement, the executive directors of the Company are Ms. Cao Xinyi, Mr. Wang Yaxu, Mr. Li Jianlou and Ms. Di Jingmin; 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.