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 2021

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 2021 together with comparative figures for the same period in 2020.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2021 was HK$12,127 million.
- Gross profit for the six months ended 30 June 2021 was HK$1,341 million.
- Profit for the six months ended 30 June 2021 was HK$787 million.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2021 was HK$778 million.
- Both basic earnings per share and diluted earnings per share for the six months ended 30 June 2021 were HK$0.257.
- A special dividend in cash of HK$0.064 per share has been declared.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2021 $'000	2020 $'000
Revenue	*4*	**12,126,781**	12,829,280
Cost of sales		**(10,785,722)**	(12,065,715)
Gross profit		**1,341,059**	763,565
Other revenue		**8,167**	7,035
Distribution costs		**(47,786)**	(43,116)
Administrative expenses		**(351,909)**	(295,481)
Other operating income/(expenses), net		**16,773**	(22,877)
Impairment of non-current assets	*5(c)*	**(76,256)**	(11,241)
Profit from operations		**890,048**	397,885
Finance income	*5(a)*	**13,419**	34,937
Finance costs	*5(a)*	**(74,768)**	(147,233)
Net finance costs		**(61,349)**	(112,296)
Share of profits of associates	*10*	**89,422**	29,312
Share of losses of joint ventures		**(6,838)**	(5,526)
Profit before taxation		**911,283**	309,375
Income tax	*6*	**(124,057)**	(61,612)
Profit for the period		**787,226**	247,763
Attributable to:			
Equity shareholders of the Company		**777,526**	255,043
Non-controlling interests		**9,700**	(7,280)
Profit for the period		**787,226**	247,763
Earnings per share	*7*		
Basic and diluted (HK$)		**0.257**	0.084

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021	2020
	$'000	*$'000*
Profit for the period	**787,226**	247,763
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**(2,164)**	(1,572)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**60,600**	(48,215)
Other comprehensive income for the period	**58,436**	(49,787)
Total comprehensive income for the period	**845,662**	197,976
Attributable to:		
Equity shareholders of the Company	**838,054**	202,866
Non-controlling interests	**7,608**	(4,890)
Total comprehensive income for the period	**845,662**	197,976

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2021** ***$'000***	At 31 December 2020 *$'000*
Non-current assets			
Property, plant and equipment, net	*8*	**1,266,404**	802,989
Right-of-use assets	*9*	**804,594**	914,462
Construction in progress		**158,777**	441,697
Intangible assets		**88,078**	88,186
Interests in associates	*10*	**1,262,144**	1,259,701
Interests in joint ventures		**23,949**	30,458
Other investments in equity securities		**105,209**	106,164
Deferred tax assets		**27,144**	36,523
Total non-current assets		**3,736,299**	3,680,180
Current assets			
Inventories	*11*	**1,239,502**	681,533
Trade and other receivables	*12*	**3,584,456**	2,684,538
Restricted bank deposits	*13*	**757,356**	924,367
Cash and cash equivalents	*14*	**907,361**	721,819
Total current assets		**6,488,675**	5,012,257
Current liabilities			
Secured bank loans	*16*	**1,699,643**	920,280
Trade and other payables	*15*	**2,535,672**	2,627,167
Other interest-bearing borrowings	*18(a)*	**721,027**	712,868
Lease liabilities		**164,310**	135,538
Income tax payable		**141,564**	86,954
Total current liabilities		**5,262,216**	4,482,807
Net current assets		**1,226,459**	529,450
Total assets less current liabilities		**4,962,758**	4,209,630

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
at 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2021** **$'000**	At 31 December 2020 *$'000*
Non-current liabilities			
Secured bank loans		**88,262**	81,986
Lease liabilities		**144,933**	166,869
Deferred income		**61,704**	129,680
Deferred tax liabilities		**17,983**	20,482
Total non-current liabilities		**312,882**	399,017
NET ASSETS		**4,649,876**	3,810,613
CAPITAL AND RESERVES			
Share capital	*17(b)*	**5,784,673**	5,784,673
Reserves		**(1,027,464)**	(1,857,920)
Total equity attributable to equity shareholders of the Company		**4,757,209**	3,926,753
Non-controlling interests		**(107,333)**	(116,140)
TOTAL EQUITY		**4,649,876**	3,810,613

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**").

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the IASB.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial information 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 IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

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

4 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Coal	**9,336,743**	11,431,961
– Oil and petrochemical products	**1,793,729**	877,924
– Rendering of integrated supply chain services	**418,683**	340,661
– Iron ore	**485,438**	64,580
– Nonferrous metals	**51,135**	93,286
– Coke	**20,206**	–
– Others	**20,847**	20,868
	12,126,781	12,829,280
Disaggregated by geographical location of customers		
– The PRC (including Hong Kong, Macau and Taiwan)	**10,310,708**	11,199,121
– South Korea	**816,228**	737,603
– India	**620,821**	519,736
– Turkey	**143,403**	191,219
– Ukraine	**124,096**	–
– Vietnam	**71,352**	–
– Indonesia	**39,346**	–
– Poland	**–**	92,290
– United Kingdom	**–**	80,180
– Others	**827**	9,131
	12,126,781	12,829,280

For the six months ended 30 June 2021, among the Group's revenue from the trading of coal and other products, products totalling $323,792,000 (six months ended 30 June 2020: $402,905,000) were traded under framework contracts signed with certain third-party companies pursuant to which those third party companies acted as agents of the Group to sign sale and purchase contracts with customers and suppliers whilst the Group were responsible for identifying customers and suppliers and negotiating and determining the price, quantity of the commodities and transportation and payment terms with customers and suppliers, respectively.

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

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

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

	Processing and trading of coal and other products		**Rendering of integrated supply chain services**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
For the six months ended 30 June						
Disaggregated by timing of revenue recognition						
Point in time	**11,708,098**	12,488,619	**362,715**	282,769	**12,070,813**	12,771,388
Over time	**–**	–	**55,968**	57,892	**55,968**	57,892
Revenue from external customers	**11,708,098**	12,488,619	**418,683**	340,661	**12,126,781**	12,829,280
Inter-segment revenue	**–**	–	**195,547**	74,404	**195,547**	74,404
Reportable segment revenue	**11,708,098**	12,488,619	**614,230**	415,065	**12,322,328**	12,903,684
Reportable segment profit (adjusted EBITDA)	**1,073,404**	515,166	**86,273**	25,169	**1,159,677**	540,335
Interest income	**13,291**	11,463	**128**	83	**13,419**	11,546
Interest expense	**(45,072)**	(107,077)	**(11,213)**	(6,016)	**(56,285)**	(113,093)
Depreciation and amortisation	**(44,694)**	(41,216)	**(65,739)**	(27,913)	**(110,433)**	(69,129)
Impairment of non-current assets	**(55,685)**	(11,241)	**(20,571)**	–	**(76,256)**	(11,241)
(Reversal of)/provision for impairment losses on trade and other receivables	**(788)**	(35,036)	**432**	(3,258)	**(356)**	(38,294)
Additions to non-current segment assets during the period	**50,926**	56,391	**274,906**	36,147	**325,832**	92,538
As at 30 June/31 December						
Reportable segment assets	**9,202,369**	7,423,737	**2,220,481**	1,974,810	**11,422,850**	9,398,547
Reportable segment liabilities	**5,407,454**	4,317,504	**1,233,117**	1,199,517	**6,640,571**	5,517,021

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 reversal of impairment of non-current assets and provision for/(reversal of) impairment losses on trade and other receivables.

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2021	2020
	\$'000	*\$'000*
Reportable segment profit	**1,159,677**	540,335
Depreciation and amortisation	**(110,433)**	(69,129)
Net finance costs	**(61,349)**	(112,296)
Impairment of non-current assets	**(76,256)**	(11,241)
Provision for impairment losses on trade and other receivables	**(356)**	(38,294)
Consolidated profit before taxation	**911,283**	309,375

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2021	2020
	\$'000	*\$'000*
Interest income	**(13,419)**	(11,546)
Changes in fair value on conversion option embedded in convertible bonds and warrants	**–**	(23,391)
Finance income	**(13,419)**	(34,937)
Interest on lease liabilities	**9,694**	5,973
Interest on secured bank loans	**16,435**	17,297
Interest on other interest-bearing borrowings	**13,853**	13,970
Interest on discounted bills receivable	**16,303**	12,327
Interest on convertible bonds	**–**	63,526
Total interest expense	**56,285**	113,093
Bank and other charges	**8,483**	18,506
Foreign exchange loss, net	**10,000**	15,634
Finance costs	**74,768**	147,233
Net finance costs	**61,349**	112,296

(b) Staff costs

	Six months ended 30 June	
	2021	2020
	$'000	*$'000*
Salaries, wages, bonus and other benefits	**298,554**	189,267
Contributions to defined contribution retirement plan	**5,105**	1,836
	303,659	191,103

During the six months ended 30 June 2021, staff costs of the Group included accrued bonus of approximately $148,911,000 (six months ended 30 June 2020: $100,946,000) for the business sector teams, including coking coal and other teams. The following factors were considered in determining the bonus, business pre-tax profit (calculated by gross profit earned by each business sector team after deducting distributable finance costs and other distributable expenses) made by each business sector team, individual performance, and overall profit of the Company. A certain proportion ranging from 5%-20% of business pre-tax profit made by each business sector team is distributed to the corresponding business sector team in the form of bonus.

(c) Other items

	Six months ended 30 June	
	2021	2020
	$'000	*$'000*
Amortisation and depreciation*		
– property, plant and equipment	**60,595**	33,055
– right-of-use assets	**46,184**	32,449
– intangible assets	**3,654**	3,625
Provision/(reversal of provision) for impairment losses		
– trade receivables	**5,378**	36,587
– bills receivable	**(5,022)**	1,707
Impairment of non-current assets		
– intangible assets	**–**	11,241
– right of use assets	**76,256**	–
Cost of inventories*	**10,358,714**	11,742,060

* Cost of inventories included $2,391,000 (six months ended 30 June 2020: $109,000) and $3,479,000 (six months ended 30 June 2020: $629,000) for the six months ended 30 June 2021 relating to staff costs, depreciation and amortisation which amount was also included in the respective total amount disclosed separately above or in note 5(b) for each type of these expenses.

6 INCOME TAX

	Six months ended 30 June	
	2021	2020
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period	**3,152**	–
Over provision in respect of prior years	**–**	(3,977)
Current tax – Outside of Hong Kong		
Provision for the period	**115,748**	63,689
(Over)/under-provision in respect of prior years	**(1,723)**	1,802
Deferred Tax		
Origination and reversal of temporary differences	**6,880**	98
	124,057	61,612

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% (2020: 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% (2020: 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 for the six months ended 30 June 2021 is based on profit attributable to equity shareholders of the Company of $777,526,000 (six months ended 30 June 2020: $255,043,000) and the weighted average number of ordinary shares of 3,025,143,000 (six months ended 30 June 2020: 3,032,305,000 shares) in issue during the six months ended 30 June 2021, calculated as follows:

Weighted average number of ordinary shares (basic):

	Six months ended 30 June	
	2021	2020
	'000	*'000*
Issued ordinary shares at 1 January	**3,026,883**	3,046,563
Effect of purchase of own shares	**–**	(5,581)
Effect of shares held by the employee share trusts*	**(1,740)**	(8,677)
Weighted average number of ordinary shares (basic) as at 30 June	**3,025,143**	3,032,305

* 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 2021, basic and diluted earnings per share was the same as there were no potential ordinary shares in issue during the period.

For the six months ended 30 June 2020, basic and diluted earnings per share was the same as the effect of the potential ordinary shares outstanding was anti-diluted.

8 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Acquisitions and disposals

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment in the amount of $206,541,000 (six months ended 30 June 2020: $23,357,000). On the other hand, items of property, plant and equipment with a net book value of $3,539,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: $1,792,000), resulting in a gain on disposal of $820,000 (six months ended 30 June 2020: gain on disposal of $127,000).

(b) Transfer from construction in progress

During the six months ended 30 June 2021, construction in progress with a cost of $320,903,000 (six months ended 30 June 2020: $8,007,000) was transferred into property, plant and equipment. This amount included cost of motor vehicles with an amount of $315,571,000, which have been acquired and exported from the PRC to Mongolia.

(c) As at 30 June 2021, property ownership certificates of certain properties of the Group with an aggregate net book value of $2,453,000 (31 December 2020: $2,518,000) are yet to be obtained.

(d) As at 30 June 2021, property, plant and equipment of the Group of $386,833,000 (31 December 2020: $63,670,000) have been pledged as collateral for the Group's borrowings (see note 16), bills payable (see note 15) and lease liabilities.

9 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group entered into a number of lease agreements for motor vehicles, machinery and other equipment, and therefore recognised the additions to right-of-use assets of $76,933,000.

On 8 April 2021, the Group received a notice of idle land investigation from the local authorities for the Group's land use right of a parcel of land located in Inner Mongolia, with carrying value of approximately $4,218,000 ("**Logistic Park Land A**") for the reason that the Logistic Park Land A has not been developed and constructed on schedule. The Group has evaluated the development and construction progress of the Logistic Park Land A and was of the view that the constructions have reached an overall completion progress of 50%.

On 25 April 2021 and 28 May 2021, the Group received another two notices from the local authorities for the Group's land use rights of three parcels of lands located in Inner Mongolia, with carrying value of approximately $155,623,000, which were obtained for developing coal processing factory project ("**Processing Factory Land**"), logistic park project ("**Logistic Park Land B**") and railway special line project ("**Railway Land**"). The notices were to require the Group to resume the constructions in these lands and shall the constructions committed by the Group have not been resumed by the end of 2021, these lands will be determined as idle lands and the corresponding land use rights shall be confiscated as well as penalties shall be imposed by the local authorities. The Group has evaluated the development and construction progress of these lands and was of the view that the constructions in the Processing Factory Land have been substantially completed, while the constructions in the Logistic Park Land B and the Railway Land have not been developed and constructed on a committed schedule due to the changes in the government planning as well as the delay in the government's approval of certain environmental impact assessment.

The Group is currently working diligently to prevent the abovementioned lands from being determined as idle land by the local authorities, including negotiating the feasibility of development plans with local authorities. Based on legal advice from an independent legal counsel, the directors of the Company consider that it is not probable that there is a present obligation to surrender the Logistic Park Land A and the Processing Factory Land at the end of the reporting period, and no impairment has therefore been made in respect of the land use rights of the Logistic Park Land A and the Processing Factory Land as at 30 June 2021. In respect of the Logistic Park Land B and the Railway Land, taking into account the Covid-19 pandemic and the current restriction of imports from Mongolian border into China, the directors of the Company do not expect to resume constructions in the Logistic Park Land B and the Railway Land by the end of 2021, thus it is more likely than not that the Logistic Park Land B and the Railway Land would be determined as idle lands and the corresponding land use rights would be confiscated by the local authorities, whereas under currently available facts and circumstances, the Group has reasonable grounds to challenge against any potential penalties imposed by the local authorities and it is not more likely than not that there is a present obligation exists for such penalties at the end of the reporting period. Accordingly, an impairment loss of $55,685,000 has been charged to the consolidated statement of profit or loss during the six months ended 30 June 2021, representing the carrying value of the land use rights for the Logistic Park Land B and the Railway Land, net of the associated government grants received.

In addition, an impairment loss of $20,571,000 for another land use right has been charged to the consolidated statement of profit or loss during the six months ended 30 June 2021 on the basis that the management has determined that the recoverable amount of the land use right has been lower than it's carrying amount, with reference to the lands prices at which other similar assets transacted in similar areas on an arm's length basis.

At 30 June 2021, land use rights of the Group of $143,829,000 (31 December 2020: $162,501,000) have been pledged as collateral for the Group's borrowings (see note 16), bills payable (see note 15) and lease liabilities.

10 INTERESTS IN ASSOCIATES

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

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

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

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

	At 30 June 2021	At 31 December 2020
	$'000	*$'000*
Gross amounts of the associate		
Current assets	**3,950,719**	3,553,921
Non-current assets	**4,566**	5,956
Current liabilities	**(1,406,861)**	(1,016,267)
Non-current liabilities	**(155)**	(3)
Equity	**(2,548,269)**	(2,543,607)

	Six months ended 30 June	
	2021	2020
	$'000	*$'000*
Revenue	**3,023,530**	1,470,274
Profit for the period	**124,799**	60,935
Other comprehensive income	**29,308**	(43,790)
Total comprehensive income	**154,107**	17,145
Dividend received from the associate	**73,228**	9,599

Reconciled to the Group's interest in the associate

	At 30 June 2021 $'000	At 31 December 2020 $'000
Gross amounts of net assets of the associate	**2,548,269**	2,543,607
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**1,248,652**	1,246,367
Carrying amount in the condensed consolidated financial statements	**1,248,652**	1,246,367

Aggregate information of the associates that are not individually material:

	At 30 June 2021 $'000	At 31 December 2020 $'000
Aggregate carrying amount of the individually immaterial associates in the condensed consolidated financial statements	**13,492**	13,334

	Six months ended 30 June	
	2021	$2020
	$'000	*'000*
Aggregate amounts of the Group's share of the associates'		
Gain/(Loss) from continuing operations	**47**	(546)
Total comprehensive income	**47**	(546)

11 INVENTORIES

	At 30 June 2021 $'000	At 31 December 2020 $'000
Coal	**1,175,033**	659,597
Others	**64,469**	21,936
	1,239,502	681,533

At 30 June 2021, inventories of the Group of $nil (31 December 2020: $53,115,000) have been pledged as collateral for the Group's borrowings (see note 16).

During six months ended 30 June 2021, $65,741,000 (six months ended 30 June 2020: $nil) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period, being the amount of reversal of a write-down of inventories to the estimated net realisable value. This reversal arose due to an increase in the estimated net realisable value of certain coal.

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 2021 *$'000*	At 31 December 2020 $'000
Within 3 months	**1,251,948**	918,258
3 to 6 months	**278,629**	247,661
6 to 12 months	**266,523**	10,757
Trade debtors and bills receivable, net of loss allowance	**1,797,100**	1,176,676
Other debtors *(note i)*	**214,873**	390,632
Financial assets measured at amortised cost	**2,011,973**	1,567,308
Deposits and prepayments	**1,278,576**	910,814
Other tax recoverable	**211,679**	150,063
Derivative financial instruments *(note ii)*	**82,228**	56,353
	3,584,456	2,684,538

Notes:

(i) Among the other debtors, $175,994,000 (31 December 2020: $341,269,000) represented receivables due from Xianghui Energy arisen from procurement of coals as an agent of Xianghui Energy.

(ii) As at 30 June 2021 and 31 December 2020, 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.

The credit terms for trade debtors are generally within 90 days. The credit terms for receivables from import agents can be as long as one year, which are comparable to the credit terms for payables to import agents as granted to the Group. Bills receivable are normally due within 180 days to 360 days from the date of issuing.

At 30 June 2021, bills receivable of the Group of $143,950,000 (31 December 2020: $319,906,000) have been pledged as collateral for the Group's bills payable (see note 15).

At 30 June 2021, bills receivable of the Group of $247,099,000 (31 December 2020: $162,879,000) have been pledged as collateral for the Group's borrowings (see note 16).

At 30 June 2021, bills receivable of the Group of $938,228,000 (31 December 2020: $376,863,000) have been discounted to banks with recourse (see note 16).

13 RESTRICTED BANK DEPOSITS

The Group has pledged bank deposits of $499,249,000 (31 December 2020: $834,128,000) as at 30 June 2021 as collateral for the Group's borrowings (see note 16) and banking facilities in respect of issuance of bills and letters of credit by the Group (see note 15).

14 CASH AND CASH EQUIVALENTS

	At 30 June 2021 *$'000*	At 31 December 2020 *$'000*
Cash at bank and in hand	**907,361**	721,819

At 30 June 2021, cash and cash equivalents of $630,535,000 (31 December 2020: $548,461,000) was held by the entities of the Group in form of RMB in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

15 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 2021 *$'000*	At 31 December 2020 *$'000*
Within 3 months	**532,141**	1,151,011
More than 3 months but less than 6 months	**69,480**	91,620
More than 6 months but less than 1 year	**111,119**	492,443
More than 1 year	**10,400**	6,099
Total trade and bills payable	**723,140**	1,741,173
Prepayments from customers	**1,110,414**	191,465
Payables in connection with construction projects	**40,166**	69,684
Payables for purchase of equipment	**225,150**	204,998
Payables for staff related costs	**225,660**	215,982
Payables for other taxes	**64,564**	31,674
Derivative financial instruments	**3,210**	13,474
Others	**143,368**	158,717
	2,535,672	2,627,167

At 30 June 2021, bills payable amounting to $371,060,000 (31 December 2020: $975,511,000) have been secured by restricted bank deposits with an aggregate carrying value of $238,004,000 (31 December 2020: $688,345,000) and bills receivable with an aggregate carrying value of $143,950,000 (31 December 2020: $319,906,000).

At 30 June 2021, bills payable amounting to $61,958,000 (31 December 2020: $61,490,000) together with bank loans amounting to $nil (31 December 2020: $130,702,000) have been secured by restricted bank deposits with an aggregate carrying value of $45,896,000 (31 December 2020: $30,745,000), property, plant and equipment with an aggregate carrying value of $116,925,000 (31 December 2020: $10,169,000), and land use rights with an aggregate carrying value of $51,626,000 (31 December 2020: $137,167,000).

16 SECURED BANK LOANS

The secured bank loans comprise:

	At 30 June 2021	At 31 December 2020
	$'000	*$'000*
Short-term loans and current portion of long-term loans	**1,699,643**	920,280
Long-term loans	**88,262**	81,986
	1,787,905	1,002,266

The interest rates per annum of bank loans were:

	At 30 June 2021	At 31 December 2020
	$'000	*$'000*
Short-term loans and current portion of long-term loans	**0.64%-11.35%**	0.77%-11.35%
Long-term loans	**11.35%**	11.35%

At 30 June 2021, bank loans amounting to $291,726,000 (31 December 2020: $287,556,000) have been secured by bills receivable with an aggregate carrying value of $247,099,000 (31 December 2020: $162,879,000) and restricted bank deposits with an aggregate carrying value of $25,334,000 (31 December 2020: $115,038,000).

At 30 June 2021, bank loans amounting to $178,628,000 (31 December 2020: $nil) have been secured by restricted bank deposits with an aggregate carrying value of $190,015,000 (31 December 2020: $nil).

At 30 June 2021, bank loans amounting to $938,228,000 (31 December 2020: $376,863,000) have been secured by bills receivable with recourse with an aggregate carrying value of $938,228,000 (31 December 2020: $376,863,000).

At 30 June 2021, bank loans amounting to $203,860,000 (31 December 2020: $130,702,000) have been secured by property, plant and equipment with an aggregate carrying value of $217,372,000 (31 December 2020: $10,169,000), and land use rights with an aggregate carrying value of $66,874,000 (31 December 2020: $137,167,000).

At 30 June 2021, bank loans amounting to $175,462,800 (31 December 2020: $150,489,000) have been secured by credit guarantee with a guarantee amount of $175,462,800 (31 December 2020: $150,489,000) provided by subsidiaries of the Group.

At 30 June 2021, bank loans amounting to $nil (31 December 2020: $56,656,000) have been secured by inventories with an aggregate carrying value of $nil (31 December 2020: $53,115,000).

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Subsequent to the end of the reporting period, a special dividend of $0.064 per share has been declared (six months ended 30 June 2020: $nil).There are no dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the six months ended 30 June 2021 (six months ended 30 June 2020: $nil).

(b) Share capital

	At **30 June 2021** *No. of shares* *'000*	At 31 December 2020 *No. of shares* *'000*
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

	2021 *No. of shares* *'000*	**2021** *$'000*	2020 *No. of shares* *'000*	2020 *$'000*
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	**3,026,883**	**5,784,673**	3,046,563	5,789,362
Purchase of own shares *(note i)*	**–**	**–**	(19,680)	(4,689)
At 30 June 2021/31 December 2020	**3,026,883**	**5,784,673**	3,026,883	5,784,673

(i) Purchase of own shares

During the six months ended 30 June 2021, the Company did not purchase and cancel any of its own shares from the open market (six months ended 30 June 2020: 5,364,000 shares).

(ii) Employee share trust

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

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

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

During the six months ended 30 June 2021, the Company has repurchased on-market own shares in aggregate of 19,123,000 shares (six months ended 30 June 2020: 23,772,000 shares) at a cash consideration of $7,598,000 (six months ended 30 June 2020: $5,064,000) under the RSU Scheme.

18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Material related party balances

The outstanding balances arising from above transactions at consolidated statement of financial position are as follows:

	At 30 June 2021	At 31 December 2020
	$'000	*$'000*
Other interest-bearing borrowings from an associate	**721,027**	712,868
Prepayments from an associate	**11,972**	15,940
Receivables due from an associate	**180,791**	358,686
Payables due to an associate	**5,927**	1,525

19 IMPACT OF COVID-19

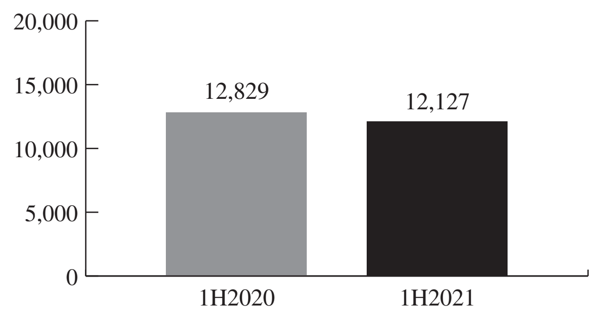
The COVID-19 pandemic since early 2020 has brought certain uncertainties in the Group's operating environment, especially for the importing and trading of coals from Mongolia. In early 2020, the Mongolian authorities closed Mongolia's border with China in order to prevent the spread of COVID-19. From the second quarter of 2020, the Mongolia-China border was re-opened for coal imports and the volume of coal imported from Mongolia gradually recovered in 2020. During the second quarter of 2021, additional precautionary measures were imposed by the Chinese authorities in response to the increase of COVID-19 case numbers in Mongolia, which included restricting the number of trucks crossing the Mongolian border into China. These restrictions on trucking volume have had an adverse impact on the Group's ability to import coals from Mongolia in the second quarter of 2021, which caused decrease of utilisation of the Group's certain coal processing factories, logistic facilities and vehicles. In response, the Group has temporarily expanding the integrated supply chain services domestically, especially focusing in Inner Mongolia, in order to maintain sufficient supply to the customers of the Group.

Such restrictions remain in effect as of the date of this interim financial report. The Group will continue to closely monitor the development of the COVID-19 pandemic and the impact it has on coal imports from Mongolia and will react promptly and mitigate any negative impacts on the business and operations of the Group. The Group has assessed the accounting estimates that require the use of forecasted financial information for the impact of the COVID-19 pandemic. The assessment included estimates of the unknown future impacts of the pandemic using information that is reasonably available at this time. Accounting estimates assessed mainly include the impairment assessment of coal processing and logistic related assets. Based on the current assessment, there was no material impact to these interim financial statements. As additional information becomes available, the future assessment of these estimates, including expectations about the severity, duration and scope of the pandemic, could differ materially in the future reporting periods.

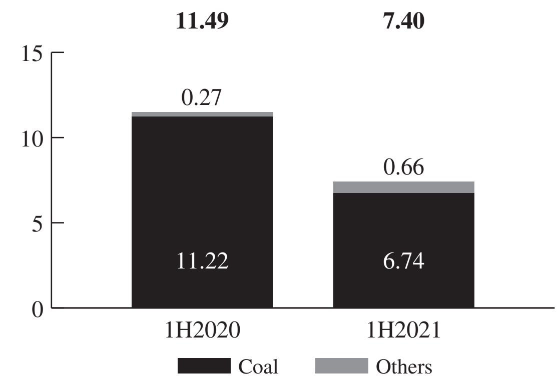
MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW

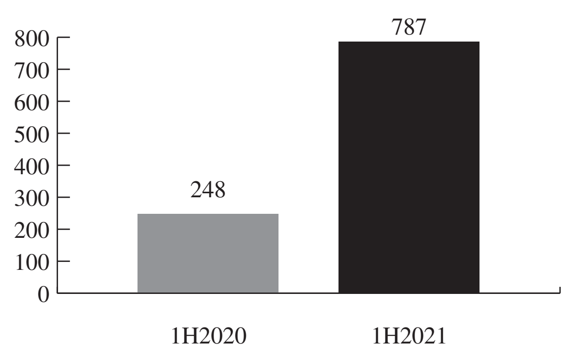
Revenue *(in HK$ million)*



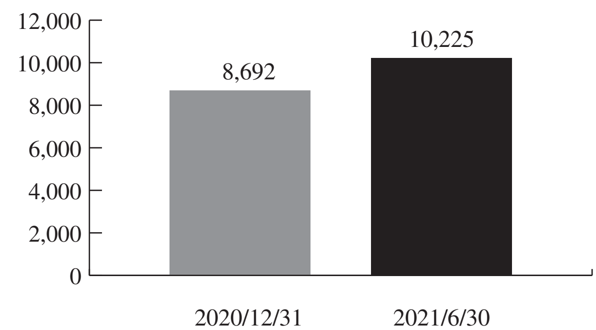
Supply Chain Trading Volume *(million tonnes)*



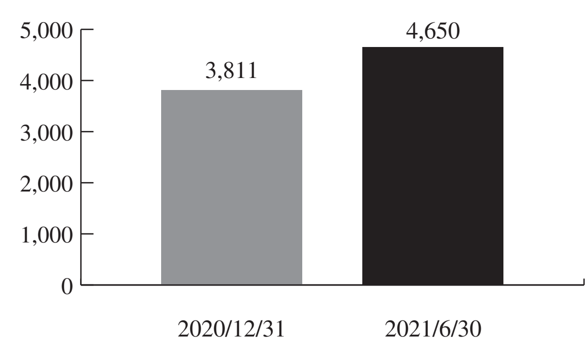
Net Profit *(in HK$ million)*



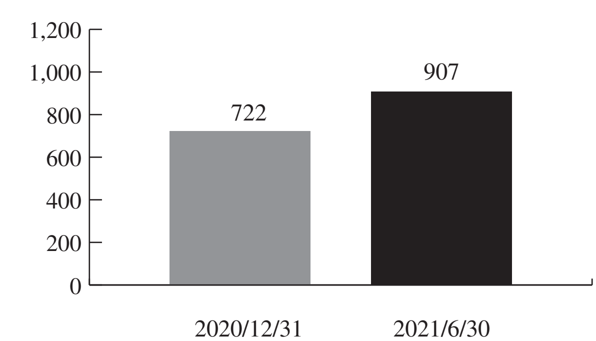
Total Assets *(in HK$ million)*



Total Equity *(in HK$ million)*



Cash Balance *(in HK$ million)*



II. FINANCIAL REVIEW

1. Revenue Overview

In the first half of 2021, the Group recorded consolidated revenue of HK$12,127 million, representing a slight decrease of 5.47% compared to HK$12,829 million in the first half of 2020. Such decrease was primarily due to the decrease in coking coal trading volume. Affected by the pandemic and the related policies, China's total coking coal imports in the first half of 2021 had fallen sharply, and supply of coking coal was in shortage. Trading volume of coking coal of the Group decreased from 10.86 million tonnes in the first half of 2020 to 6.48 million tonnes in the first half of 2021. The shortage in supply and the strong demand in the coking coal led to the rise in coking coal selling prices and the increase of the profit per ton. The gross profit generated from coking coal trading increased from HK$697 million in the first half of 2020 to HK$1,201 million in the first half of 2021.

In the first half of 2021, sales revenue generated from integrated supply chain services was HK$419 million, representing an increase of 22.87% compared to approximately HK$341 million in the first half of 2020. This was mainly due to the increase in our cross-border logistics business relating to Mongolian Coal, which started operating in November 2020.

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Disaggregated by major products or service lines		
– Coal	**9,336,743**	11,431,961
– Oil and petrochemical products	**1,793,729**	877,924
– Rendering of integrated supply chain services	**418,683**	340,661
– Iron ore	**485,438**	64,580
– Nonferrous metals	**51,135**	93,286
– Coke	**20,206**	–
– Others	**20,847**	20,868
	12,126,781	12,829,280

In the first half of 2021, the Group further expanded its geographic coverage of business to Ukraine, Vietnam and Indonesia and other countries. Sales revenue in the amount of approximately HK$1,816 million was generated from outside the PRC (including Hong Kong, Macau and Taiwan), showing the great effort of the Group in global market expansion and market diversification.

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
– The PRC (including Hong Kong, Macau and Taiwan)	**10,310,708**	11,199,121
– South Korea	**816,228**	737,603
– India	**620,821**	519,736
– Turkey	**143,403**	191,219
– Ukraine	**124,096**	–
– Vietnam	**71,352**	–
– Indonesia	**39,346**	–
– Poland	**–**	92,290
– United Kingdom	**–**	80,180
– Others	**827**	9,131
	12,126,781	12,829,280

In the first half of 2021, the sales revenue from our top five customers accounted for 40.85% of our total sales, whereas the same ratio was 33.83% in the first half of 2020. These customers are mainly large-scale, state-owned steel groups throughout China, all being leading companies in the industry.

Supply Chain Trading

In the first half of 2021, our commodities trading business sector contributed the majority of our revenue, accounting for HK$11,687 million, representing approximately 96.38% of the total revenue. This sector generates income by providing commodities trading services to our end customers, covering diversified commodities including, among others, coal products, petrochemical products, iron ore, nonferrous metals and coke.

Integrated Supply Chain Services

In the first half of 2021, the integrated supply chain services mainly comprised transportation, warehousing, coal processing and other logistic services in Mongolia and Mainland China, and largely focused on transportation and warehousing services in Inner Mongolia and those from Mongolia mining pits to Sino-Mongolia border-crossings. In the first half of 2021, HK$419 million revenue was generated from the integrated supply chain services business segment.

Business Prospects

In the second half of 2021, given the status and development of COVID-19 pandemic and the relevant precautionary measures up to the date of this announcement, the Group holds a conservative view on the COVID-19 pandemic situation, where we are of the view that the supply of coking coal is expected to remain tight in the second half of 2021. With respect to the commodities trading business, the Company will continue to make efforts at its supplier and customer base in terms of diversity, multination, high-quality and steady growth. Meanwhile, the Company will be further expanding its integrated supply chain services business. In responding to the cross-border logistics restrictions in respect of the Mongolian coking coal, the Company will keep monitoring the development of COVID-19 pandemic and the relevant precautionary measures closely, with a view to take prompt and appropriate actions to mitigate any negative impact it may have on the Group's business and operation in the second half of 2021.

2. Cost of Goods Sold ("COGS") and Procurement

COGS primarily consists of the purchase price, transportation costs and processing costs. COGS in the first half of 2021 was HK$10,412 million, representing a 11.39% decrease compared to HK$11,750 million in the first half of 2020. The decrease was mainly due to decreased procurement volume of coal. The procurement costs include the purchase price of commodities and transportation costs from overseas to the border-crossing or ports in the relevant countries where the customers are located.

	Six months ended 30 June			
	2021		2020	
	Procurement volume	**Procurement amounts**	Procurement volume	Procurement amounts
	'000 tonnes	***HK$'000***	*'000 tonnes*	*HK$'000*
Coal	**6,331**	**8,314,556**	10,609	10,333,139
Petrochemical products	**258**	**1,774,063**	191	890,727
Nonferrous metals	**2**	**50,800**	6	92,202
Iron ore	**409**	**524,614**	85	74,387
Coke	**8**	**23,498**	–	–
	7,010	**10,687,531**	10,891	11,390,455

In the first half of 2021, the total procurement amount was HK$10,688 million, of which, the procurement amount from top five suppliers accounted for 32.57% and such suppliers are mainly the leading coking coal suppliers in the world. No director of the Company or their close associates (as defined under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")), or shareholder of the Company owning more than 5% of the issued shares in the Company, has any interest in any of our suppliers.

3. Gross Profit

The Group recorded a gross profit of HK$1,341 million in the first half of 2021, compared to a gross profit of HK$764 million in the first half of 2020, of which, with respect to the commodities trading business, the gross profit generated from coking coal trading increased to HK$1,201 million in the first half of 2021 as compared to HK$697 million in the first half of 2020. The increase in gross profit was mainly due to strong coal demand in the coal market and rise in coal price, resulting in an increased profit per ton.

4. Distribution Costs

Distribution costs incurred in the first half of 2021 were HK$48 million, representing a 11.63% increase compared to HK$43 million in the first half of 2020. The increase in distribution costs was mainly due to the increase in door-to-door coal delivery demand.

5. Administrative Expenses

Administrative expenses incurred in the first half of 2021 were HK$352 million, representing an increase of 19.32% over HK$295 million of administrative expenses incurred in the first half of 2020. This was mainly due to the increase in the accrued bonus in 2021 for the business sector teams including coking coal and other teams, which was approximately HK$149 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.

6. Net Finance Costs

Net finance costs incurred in the first half of 2021 were HK$61 million, representing a decrease of 45.54% compared to HK$112 million in the first half of 2020. The decrease was mainly due to the early redemption of the Company's convertible bonds on 14 August 2020, therefore, the Company's finance income and finance costs decreased correspondingly in the first half of 2021.

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Interest income	**(13,419)**	(11,546)
Changes in fair value on conversion option embedded in convertible bonds and warrants	**–**	(23,391)
Finance income	**(13,419)**	(34,937)
Interest on lease liabilities	**9,694**	5,973
Interest on secured bank and other loans	**30,288**	31,267
Interest on discounted bills receivable	**16,303**	12,327
Interest on convertible bonds	**–**	63,526
Total interest expense	**56,285**	113,093
Bank and other charges	**8,483**	18,506
Foreign exchange loss, net	**10,000**	15,634
Finance costs	**74,768**	147,233
Net finance costs	**61,349**	112,296

7. Net Profit and Earnings Per Share

Our net profit for the first half of 2021 was HK$787 million, compared to net profit of HK$248 million for the first half of 2020.

Both basic earnings per share and diluted earnings per share for the six months ended 30 June 2021 were HK$0.257.

8. Right-of-use Assets Impairment

There was an impairment loss of HK$76,256,000 for right-of-use assets, which has been charged to consolidated statement of profit and loss ended 30 June 2021. The impairment losses have been charged to three pieces of land located in Inner Mongolia.

9. Interest in Xianghui Energy

Xianghui Energy commenced operation in October 2019 and is mainly engaged in trading Mongolian coal in the PRC. Xianghui Energy recorded revenue of HK$3,024 million and net profit of HK$125 million during the first half of 2021.

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

	At 30 June 2021	At 31 December 2020
	HK$'000	*HK$'000*
Gross amounts of the associate		
Current assets	**3,950,719**	3,553,921
Non-current assets	**4,566**	5,956
Current liabilities	**(1,406,861)**	(1,016,267)
Non-current liabilities	**(155)**	(3)
Equity	**(2,548,269)**	(2,543,607)

	At 30 June 2021	At 31 December 2020
	HK$'000	*HK$'000*
Gross amounts of net assets of the associate	**2,548,269**	2,543,607
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**1,248,652**	1,246,367

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Revenue	**3,023,530**	1,470,274
Profit for the period	**124,799**	60,935
Other comprehensive income	**29,308**	(43,790)
Total comprehensive income	**154,107**	17,145
Dividend received from the associate	**73,228**	9,599

10. Inventories

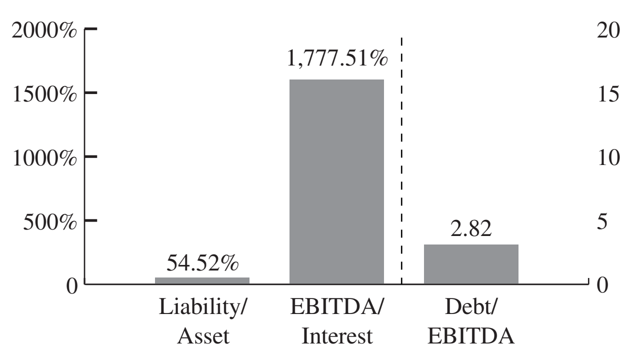
	At 30 June 2021	At 31 December 2020
	HK$'000	*HK$'000*
Coal	**1,175,033**	659,597
Others	**64,469**	21,936
	1,239,502	681,533

Inventories as at 30 June 2021 were HK$1,240 million, representing an 81.82% increase compared to HK$682 million as at 31 December 2020. The increase in inventories was mainly due to the increase in the Company's coal inventories.

11. Indebtedness and Liquidity

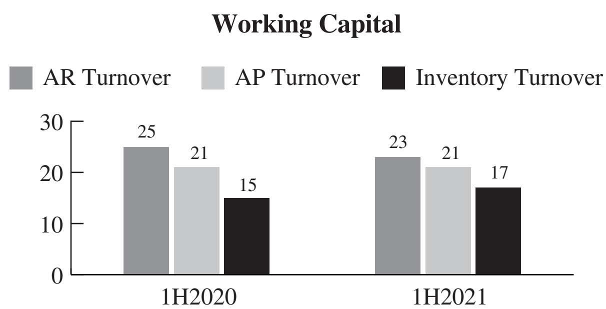
The total amount of bank loans owed by the Group at the end of June 2021 was HK$1,788 million. Interest rates on these loans range from 0.64% to 11.35% per annum, whereas the range for the same period in 2020 was from 1.1845% to 10.45%. The Group's gearing ratio at the end of June 2021 was 54.52%, which represents a decrease compared to 56.16% at the end of December 2020. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.

Indebtedness and Liquidity



12. Working Capital

In the first half of 2021, our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 23 days, 21 days, and 17 days, respectively. As a result, the overall cash conversion cycle was approximately 19 days, which was the same as the Group's cash conversion cycle realised in the first half of 2020.



13. Pledge of Assets

At 30 June 2021, bank loans amounting to HK$175,462,800 (31 December 2020: HK$150,489,000) had been secured by credit guarantee with a guarantee amount of HK$175,462,800 (31 December 2020: HK$150,489,000) provided by subsidiaries of the Group.

At 30 June 2021, bank loans amounting to HK$203,860,000 (31 December 2020: HK$130,702,000) together with bills payable amounting to HK$61,958,000 (31 December 2020: HK$61,490,000) had been secured by restricted bank deposits with an aggregate carrying value of HK$45,896,000 (31 December 2020: HK$30,745,000), property, plant and equipment with an aggregate carrying value of HK$334,296,000 (31 December 2020: HK$10,169,000), and land use rights with an aggregate carrying value of HK$118,500,000 (31 December 2020: HK$137,167,000).

At 30 June 2021, bank loans amounting to HK$nil (31 December 2020: HK$56,656,000) had been secured by inventories with an aggregate carrying value of HK$nil (31 December 2020: HK$53,115,000).

At 30 June 2021, bank loans amounting to HK$1,408,582,000(31 December 2020: HK$664,419,000) had been secured by bills receivable with an aggregate carrying value of HK$1,185,327,000 (31 December 2020: HK$539,742,000) and restricted bank deposits with an aggregate carrying value of HK$215,349,000 (31 December 2020: HK$115,038,000).

At 30 June 2021, bills payable amounting to HK$371,060,000 (31 December 2020: HK$975,511,000) had been secured by restricted bank deposits with an aggregate carrying value of HK$238,004,000 (31 December 2020: HK$688,345,000) and bills receivable with an aggregate carrying value of HK$143,950,000 (31 December 2020: HK$319,906,000).

At 30 June 2021, lease liabilities amounting to HK$30,476,000 (31 December 2020: HK$36,458,000) have been secured by property, plant and equipment with an aggregate carrying value of HK$52,537,000 (31 December 2020: HK$53,501,000), land use rights with an aggregate carrying value of HK$25,329,000 (31 December 2020: HK$25,334,000).

14. Cash Flow

In the first half of 2021, the Group had an operating cash outflow of HK$462 million compared to HK$2,305 million cash inflow during the same period last year. The net cash outflow from operating activities in the first half of 2021 was mainly contributed from cash profit of HK$1,048 million and net cash outflow of working capital changes of HK$1,446 million. Changes in working capital include an increase of HK$492 million in inventories and an increase of HK$883 million in bills receivable, trade and other receivables.

In the first half of 2021, the Group had a cash inflow from investing activities of HK$8 million compared to HK$322 million cash outflow during the same period last year. The net cash inflow from investing activities in the first half of 2021 was mainly attributable to cash outflow from investment in logistics assets, reduction in the use of restricted bank deposits, and dividends received from associates.

In the first half of 2021, the Group had a cash inflow from financing activities of HK$632 million compared to HK$1,642 million cash outflow during the same period last year. The cash inflow from financing activities in the first half of 2021 was mainly attributable to cash inflow of bills discounted loans due of approximately HK$643 million.

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

	Six months ended 30 June 2021*	**Adjustments**	**Adjusted six months ended 30 June 2021****
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents at 1 January	721,819		721,819
Net cash generated from/(used in) operating activities	(462,140)	1,195,981	733,841
Net cash generated from/(used in) investing activities	8,356	(553,229)[1]	(544,873)
Net cash generated from/(used in) financing activities	632,371	(642,752)[2]	(10,381)
Effect of foreign exchange rate changes	6,955		6,955
Cash and cash equivalents at 30 June	907,361		907,361

Note:

1. Full margin deposit for letter of credit

2. Discounted bills and bill pledged loans

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

** Illustrative purpose only.

III. WORKING CAPITAL AND FINANCIAL POLICY

The Group managed its funds by pre-planning and real-time monitoring measures. The Group raised funds through business activities, discount of notes receivable, factoring of accounts receivable, banking facilities from domestic and overseas banks, and bond financing, so as to ensure the expenditure for business operation, loan repayment and capital expenditure. In the first half of 2021, the Group's main financing methods were notes receivable, discounted letters of credit and banking facilities.

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

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

IV. RISK FACTORS

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

1. Volatility of Commodities Prices

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

2. Dependence on the Steel Industry

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

3. Liquidity Risk

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

4. Currency Risk

Over 41.61% of the Group's turnover in the first half of 2021 were denominated in Renminbi. Over 70.01% of the Group's procurement costs, and some of our operating expenses, were denominated in US dollars. The exchange rates between Renminbi and US dollars and other currencies vary from time to time due to the influence from the political and economic changes in China and the world, as well as the Chinese governance fiscal and currency policy. Fluctuations in exchange rates may adversely affect the value of the Group's net assets, earnings or any declared dividends as Renminbi is translated or converted into US dollars or Hong Kong dollars. The Group has mostly locked the currency risk of related commodities trading businesses by adopting corresponding exchange rate management policies and derivatives hedging approaches, however, any unfavourable movement in the exchange rate may still lead to an increase in the costs of the Group or a decline in sales, which could materially affect the Group's results of operations.

5. Fair Value Measurement

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

6. Impact of COVID-19 Pandemic

The COVID-19 pandemic since early 2020 has brought certain uncertainties in the Group's operating environment, especially for the importing and trading of coals from Mongolia. In early 2020, the Mongolian authorities closed Mongolia's border with China in order to prevent the spread of COVID-19. From the second quarter of 2020, the Mongolia-China border was re-opened for coal imports and the volume of coal imported from Mongolia gradually recovered in 2020. During the second quarter of 2021, additional precautionary measures were imposed by the Chinese authorities in response to the increase of COVID-19 case numbers in Mongolia, which included restricting the number of trucks crossing the Mongolian border into China. These restrictions on trucking volume have had an adverse impact on the Group's ability to import coals from Mongolia in the second quarter of 2021, which caused decrease of utilisation of the Group's certain coal processing factories, logistic facilities and vehicles. In response, the Group has temporarily expanded the integrated supply chain services domestically, especially focusing in Inner Mongolia, in order to maintain sufficient supply to the customers of the Group. The Group will continue to closely monitor the development of the COVID-19 pandemic and the impact it has on coal imports from Mongolia and will react promptly and mitigate any negative impacts on the business and operations of the Group.

On the other hand, due to the COVID-19 pandemic, the gross profit of coking coal enlarged for the differences of China domestic demands and overseas supply, which contributed more gross profit to the Company, to some extent, mitigated the negative impact of the pandemic on the Company. As the development and spread of the COVID-19 subsequent to the date of this announcement is uncertain, further changes in economic conditions for the Group arising thereof may have further impact 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 on the development of COVID-19 pandemic and react actively to its impact on the financial position and operating results of the Group.

V. HUMAN RESOURCES

Employee Overview

The Group aims to set up a performance-oriented compensation and benefit system while balancing the internal and external market in different job positions. As at 30 June 2021, 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 2021, the Group had 1,488 full-time employees (excluding 677 labor dispatch workers in the PRC subsidiaries). Detailed figures by category of employees are as follows:

Functions	**No. of Employees**	**Percentage**
Management, administration and finance	98	6%
Front-line production, production support and maintenance	45	3%
Sales and marketing	74	5%
Others (including projects, coal washing and transportations)	203	14%
Cargo drivers (Mongolia)	1,068	72%
Total	1,488	100%

Employee Education Overview

Qualifications	**No. of Employees**	**Percentage**
Master and above	46	11%
Bachelor	141	34%
Diploma	47	11%
Middle-school (secondary school) and below	186	44%
Total	420	100%

Training Overview

Training is essential for the Group to improving the employees' working capabilities and management skills. For the six months ended 30 June 2021, the Group held various internal and external training programs in an aggregate of 264.5 training hours for 1,091 participants in total.

Training Courses	**No. of hours**	**No. of participants**
Safety	33	685
Management and leadership	198	308
Professional skill	33.5	98
Total	264.5	1,091

VI. HEALTH, SAFETY AND ENVIRONMENT

The Group attaches great importance to the health and safety of employees and understands the importance of environment protection. The Lost Time Injury Frequency Rate (LTIFR), Fatality Incident Rate (FTIR) and Total Recordable Case Frequency (TRCF) are key indicators to measure how we achieve our commitment. No casualties, environmental accidents or occupational health and safety accidents occurred in the first half of 2021.

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

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

As at 30 June 2021, the Company had a total of 3,026,882,356 shares in issue. The Company did not repurchase any shares of the Company on the Stock Exchange during six months ended 30 June 2021.

VIII. SPECIAL DIVIDEND

The declaration of a special dividend in cash of HK$0.064 per share of the Company has been approved by the Board, which is expected to be payable on or around 10 January 2022. The Company will make a further announcement to set out the details on the payment of the special dividend and closure of register of members of the Company.

IX. SUBSEQUENT EVENTS

Pursuant to a guarantee quota approved by the shareholders of Xiamen Xiangyu Joint Stock Company Limited* (廈門象嶼股份有限公司) ("**Xiamen Xiangyu**"), at its annual general meeting held on 23 March 2021, Xiamen Xiangyu will provide a corporate guarantee to secure all the repayment obligation of Xianghui Energy under certain banking facilities in an aggregate principal amount of up to RMB400 million (the "**Banking Facilities**"). On 9 August 2021, the Company and Xiamen Xiangyu entered into a counter-guarantee, pursuant to which the Company agreed to provide the counter-guarantee to Xiamen Xiangyu in proportion to its 49% equity interest in Xianghui Energy (the "**Counter-Guarantee**"). The Counter-Guarantee is for the amount drawn down on the Banking Facilities together with any interests accrued thereon, any penalties, compensation and other related fees and expenses which may be payable by Xiamen Xiangyu as contemplated under the relevant bank guarantee contract provided by Xiamen Xiangyu to the banks in an aggregate amount of up to RMB215 million. For further details, please refer to the Company's announcement dated 9 August 2021.

On 23 August 2021, the Company entered into (i) a capital increase agreement ("**E-35 Capital Increase Agreement**") with Inner Mongolia Haotong Energy Joint Stock Co., Ltd.* (內蒙古浩通能源股份有限公司) ("**Inner Mongolia Haotong**"), E-35 Technology Co., Ltd.* (易至科技股份有限公司) ("**E-35 Technology**"), Inner Mongolia E-35 Technology Co., Ltd.* (內蒙古易至科技股份有限公司) ("**Inner Mongolia E-35**"), which are subsidiaries of the Company, Xiamen Xiangyu Logistics Group Co., Ltd.* (廈門象嶼物流集團有限責任公司) (the "**Investor**") and Xiamen Xiangyu, pursuant to which the Investor agreed to subscribe for the additional registered capital of RMB159.10 million of Inner Mongolia E-35 for a cash consideration in the amount of RMB184.2709 million, representing 20% of the enlarged total equity interest in Inner Mongolia E-35 upon completion of the transactions contemplated under the E-35 Capital Increase Agreement; and (ii) a capital increase agreement ("**Haotong Capital Increase Agreement**") with Inner Mongolia Haotong, Jiangsu Haotong Environmental Protection Technology Co., Ltd. * (江蘇浩通環保科技有限公司), Inner Mongolia Haotong Environmental Technology Co., Ltd.* (內蒙古浩通環保科技有限公司) ("**Haotong Environmental Technology**"), which are subsidiaries of the Company, the Investor and Xiamen Xiangyu, pursuant to which the Investor agreed to subscribe for the additional registered capital of RMB86.7891 million of Haotong Environmental Technology for a cash consideration in the amount of RMB86.7891 million, upon completion of the transactions contemplated under the Haotong Capital Increase Agreement, the Investor will hold a 20% interest in Haotong Environmental Technology. For further details, please refer to the Company's announcement dated 23 August 2021.

X. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2021, 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 officer be separate and not performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below. Ms. Cao Xinyi, the chairman of the Board (the "**Chairman**"), was appointed as the chief executive officer of the Company ("**CEO**") on 18 July 2019. The Board believes that, considering Ms. Cao Xinyi's length of employment and experience in the business and operations of the Group and her professional financial knowledge, vesting the roles of both the Chairman and the CEO in Ms. Cao Xinyi can provide the Group with consistent leadership, facilitate the execution of the Group's business strategies and boost effectiveness of its operations. In addition, under the supervision of the Board (which consists of 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors) and Board committees (only 2 executive Directors served on the Board committees and other members of which are all independent non-executive Directors), the Board is appropriately structured with a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders as a whole. Therefore, the Board considers that the deviation from the Code Provision 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 six months ended 30 June 2021.

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

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each Director has confirmed that he/she has complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021.

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 2021. 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 2021 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, 30 August 2021

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