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 2021

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 2021 together with comparative figures in 2020.

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
(in HK$ million)	**2021**	2020	Year-on-year Change
Revenue	**41,184**	21,977	+87.40%
Profit before taxation	**4,070**	552	+637.32%
Profit for the year	**3,495**	453	+671.52%
Net profit attributable to equity shareholders of the Company	**3,462**	462	+649.35%
Basic earnings per share (HK$)	**1.151**	0.152	+657.24%
Diluted earnings per share (HK$)	**1.128**	0.152	+642.11%
Total equity	**7,476**	3,811	+96.17%

A final dividend in cash of HK$0.302 per share or approximately HK$866 million has been declared for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	**2021**	2020
		$'000	*$'000*
Revenue	*3*	**41,183,601**	21,977,308
Cost of sales		**(35,349,865)**	(20,522,997)
Gross profit		**5,833,736**	1,454,311
Other revenue		**28,045**	14,319
Distribution costs		**(155,124)**	(67,592)
Administrative expenses		**(1,488,071)**	(554,639)
Other operating income/(expenses), net	*4*	**160,354**	(142,636)
Impairment of non-current assets	*5(c)*	**(253,127)**	(11,241)
Profit from operations		**4,125,813**	692,522
Finance income		**22,681**	50,382
Finance costs		**(222,193)**	(227,851)
Net finance costs	*5(a)*	**(199,512)**	(177,469)
Share of profits less losses of associates	*11*	**140,688**	47,972
Share of profits less losses of joint ventures		**2,634**	(10,800)
Profit before taxation		**4,069,623**	552,225
Income tax	*6*	**(574,830)**	(99,678)
Profit for the year		**3,494,793**	452,547

	Note	2021	2020
		$'000	*$'000*
Profit attributable to:			
Equity shareholders of the Company		**3,462,244**	462,364
Non-controlling interests		**32,549**	(9,817)
Profit for the year		**3,494,793**	452,547
Earnings per share	*7*		
Basic (HK$)		**1.151**	0.152
Diluted (HK$)		**1.128**	0.152

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	2021 $'000	2020 $'000
Profit for the year	**3,494,793**	452,547
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)	**(7,197)**	(2,056)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**176,706**	214,294
Other comprehensive income for the year	**169,509**	212,238
Total comprehensive income for the year	**3,664,302**	664,785
Total comprehensive income attributable to:		
Equity shareholders of the Company	**3,631,216**	675,350
Non-controlling interests	**33,086**	(10,565)
Total comprehensive income for the year	**3,664,302**	664,785

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

(Expressed in Hong Kong dollars)

	Note	**At 31 December 2021** **$'000**	At 31 December 2020 $'000
Non-current assets			
Property, plant and equipment, net	*8*	**1,215,914**	802,989
Right-of-use assets	*10*	**759,215**	914,462
Construction in progress	*9*	**282,072**	441,697
Intangible assets		**93,003**	88,186
Interest in associates	*11*	**1,294,877**	1,259,701
Interest in joint ventures		**95,182**	30,458
Other investments in equity securities		**106,997**	106,164
Deferred tax assets		**78,731**	36,523
Total non-current assets		**3,925,991**	3,680,180
Current assets			
Inventories	*12*	**2,401,508**	681,533
Trade and other receivables	*13*	**4,863,070**	2,684,538
Restricted bank deposits		**998,031**	924,367
Cash and cash equivalents		**3,259,393**	721,819
Total current assets		**11,522,002**	5,012,257
Current liabilities			
Secured bank loans		**1,362,557**	920,280
Trade and other payables	*15*	**4,742,249**	2,627,167
Other interest-bearing borrowings		**648,289**	712,868
Lease liabilities	*16*	**145,485**	135,538
Income tax payable		**501,830**	86,954
Convertible bonds and warrants payables	*14*	**62,763**	–
Provisions	*17*	**292,421**	–
Total current liabilities		**7,755,594**	4,482,807
Net current assets		**3,766,408**	529,450
Total assets less current liabilities		**7,692,399**	4,209,630

	Note	At 31 December 2021 $'000	At 31 December 2020 $'000
Non-current liabilities			
Secured bank loans		**5,103**	81,986
Lease liabilities	*16*	**125,364**	166,869
Deferred income		**64,468**	129,680
Deferred tax liabilities		**21,186**	20,482
Total non-current liabilities		**216,121**	399,017
NET ASSETS		**7,476,278**	3,810,613
CAPITAL AND RESERVES			
Share capital	*18(b)*	**5,784,673**	5,784,673
Reserves		**1,442,548**	(1,857,920)
Total equity attributable to equity shareholders of the Company		**7,227,221**	3,926,753
Non-controlling interests		**249,057**	(116,140)
TOTAL EQUITY		**7,476,278**	3,810,613

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)
during the year ended 31 December 2021.

1 CORPORATE INFORMATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS16, *Interest Rate Benchmark Reform – phase 2*

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

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:

	2021	2020
	$'000	*$'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Coal	**36,107,175**	18,248,481
– Oil and petrochemical products	**3,007,881**	2,051,638
– Rendering of integrated supply chain services	**981,618**	973,443
– Iron ore	**864,531**	329,587
– Coke	**112,097**	5,769
– Nonferrous metals	**51,396**	326,685
– Others	**58,903**	41,705
	41,183,601	21,977,308

Among the Group's revenue from the trading of coal and other products, $1,151,777,000 (2020: $956,907,000) 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 $7,767,584,000 (2020: one customer which amounted to approximately $2,825,078,000) 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

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of deferred tax assets. Segment liabilities include all the liabilities with the exception of income tax payables and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit or loss arising from the activities of the Group's associates and joint ventures. However, other than reporting inter-segment sales of coal and other products and logistics services, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning inter-segment sales, the Group's share of associates and joint ventures, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment/reversal of impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 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*
Disaggregated by timing of revenue recognition						
Point in time	**40,201,983**	21,003,865	**819,420**	897,857	**41,021,403**	21,901,722
Over time	**–**	–	**162,198**	75,586	**162,198**	75,586
Revenue from external customers	**40,201,983**	21,003,865	**981,618**	973,443	**41,183,601**	21,977,308
Inter-segment revenue	**–**	–	**509,814**	283,113	**509,814**	283,113
Reportable segment revenue	**40,201,983**	21,003,865	**1,491,432**	1,256,556	**41,693,415**	22,260,421
Reportable segment profit (adjusted EBITDA)	**4,511,278**	757,665	**264,313**	176,362	**4,775,591**	934,027
Interest income	**18,484**	14,964	**4,197**	12,027	**22,681**	26,991
Interest expense	**(91,611)**	(121,206)	**(34,747)**	(53,528)	**(126,358)**	(174,734)
Depreciation and amortisation	**(43,630)**	(38,963)	**(196,882)**	(103,339)	**(240,512)**	(142,302)
Impairment of non-current assets	**(55,685)**	(11,241)	**(197,442)**	–	**(253,127)**	(11,241)
Impairment losses on trade and other receivables	**(11,656)**	(34,271)	**(1,161)**	(16,519)	**(12,817)**	(50,790)
Reportable segment assets (including interest in associates and joint ventures)	**14,231,449**	7,423,737	**3,064,042**	1,974,810	**17,295,491**	9,398,547
Additions to non-current segment assets during the year	**241,355**	171,388	**413,286**	591,467	**654,641**	762,855
Reportable segment liabilities	**7,973,002**	4,317,504	**1,401,926**	1,199,517	**9,374,928**	5,517,021

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

	2021	2020
	$'000	*$'000*
Revenue		
Reportable segment revenue	**41,693,415**	22,260,421
Elimination of inter-segment revenue	**(509,814)**	(283,113)
Consolidated revenue	**41,183,601**	21,977,308

	2021	2020
	$'000	*$'000*
Profit		
Reportable segment profit	**4,775,591**	934,027
Depreciation and amortisation	**(240,512)**	(142,302)
Impairment of non-current assets	**(253,127)**	(11,241)
Impairment losses on trade and other receivables	**(12,817)**	(50,790)
Net finance costs	**(199,512)**	(177,469)
Consolidated profit before taxation	**4,069,623**	552,225

	At 31 December 2021	At 31 December 2020
	$'000	*$'000*
Assets		
Reportable segment assets	**17,295,491**	9,398,547
Deferred tax assets	**78,731**	36,523
Elimination of inter-segment receivables	**(1,926,229)**	(742,633)
Consolidated total assets	**15,447,993**	8,692,437
Liabilities		
Reportable segment liabilities	**9,374,928**	5,517,021
Income tax payable	**501,830**	86,954
Deferred tax liabilities	**21,186**	20,482
Elimination of inter-segment payables	**(1,926,229)**	(742,633)
Consolidated total liabilities	**7,971,715**	4,881,824

(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**	
	2021	2020	**2021**	2020
	$'000	*$'000*	***$'000***	*$'000*
The PRC (including Hong Kong, Macau and Taiwan)	**34,544,878**	19,101,790	**3,296,661**	3,162,002
South Korea	**1,920,205**	1,393,500	**–**	–
India	**1,618,948**	552,386	**–**	–
Vietnam	**859,353**	68,479	**–**	–
Japan	**806,783**	–	**29,584**	26,698
Malaysia	**236,604**	–	**–**	–
Mongolia	**225,804**	41,637	**385,967**	312,917
Germany	**223,968**	–	**–**	–
Others	**747,058**	819,516	**28,051**	35,876
	41,183,601	21,977,308	**3,740,263**	3,537,493

4 OTHER OPERATING INCOME/(EXPENSES), NET

	2021	2020
	$'000	*$'000*
Loss on disposal of property, plant and equipment, net	**(4,972)**	(26,934)
Net realised and unrealised gain/(loss) on derivative financial instruments *(note)*	**175,950**	(107,653)
Others	**(10,624)**	(8,049)
	160,354	(142,636)

Note: Net realised and unrealised gain/(loss) on derivative financial instruments mainly represented the net gain or loss from commodity futures contracts entered into by the Group during the year ended 31 December 2021 and 2020.

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2021	2020
	$'000	*$'000*
Interest income on financial assets measured at amortised cost	**(22,681)**	(26,991)
Changes in fair value on conversion option embedded in convertible bonds and warrants *(note 14)*	**–**	(23,391)
Finance income	**(22,681)**	(50,382)
Interest on secured bank loans	**39,281**	29,947
Interest on other interest-bearing borrowings	**27,153**	28,959
Interest on discounted bills receivable	**40,804**	34,519
Interest on lease liabilities	**19,120**	12,627
Interest on convertible bonds *(note 14)*	**–**	68,682
Total interest expense	**126,358**	174,734
Bank and other charges	**24,807**	26,216
Changes in fair value on warrants *(note 14)*	**62,763**	–
Foreign exchange loss, net	**8,265**	26,901
Finance costs	**222,193**	227,851
Net finance costs	**199,512**	177,469

(b) Staff costs

	2021	2020
	$'000	*$'000*
Salaries, wages, bonus and other benefits	**1,373,619**	376,197
Contributions to defined contribution retirement plan	**11,856**	2,991
	1,385,475	379,188

During the year ended 31 December 2021, staff costs of the Group included accrued bonus of approximately $976,749,000 (year ended 31 December 2020: $170,096,000) 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

	2021	2020
	$'000	*$'000*
Amortisation and depreciation#		
– property, plant and equipment	**141,196**	67,974
– right-of-use assets	**92,063**	67,382
– intangible assets	**7,253**	6,946
Impairment losses/(reversal of impairment losses) on trade and other receivables		
– trade and bill receivables	**21,031**	50,845
– other receivables	**(8,214)**	(55)
Impairment of non-current assets		
– property, plant and equipment *(note 8)*	**176,871**	–
– right-of use assets *(note 10)*	**76,256**	–
– intangible asset	**–**	11,241
Increase of provision *(note 17)*	**292,421**	–
Cost of inventories# *(note 12(b))*	**35,033,468**	19,856,144

Cost of inventories includes $130,831,000 (2020: $42,256,000) and $195,867,000 (2020: $79,245,000) for the year ended 31 December 2021 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:

	2021	2020
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**132,729**	3,360
Current tax – Outside of Hong Kong		
Provision for the year	**486,024**	93,995
(Over)/under -provision in respect of prior years	**(2,419)**	3,833
Deferred Tax		
Origination and reversal of temporary differences	**(41,504)**	(1,510)
	574,830	99,678

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 year.

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.

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

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

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 $3,462,244,000 (2020: $462,364,000) and the weighted average number of ordinary shares of 3,008,180,000 ordinary shares (2020: 3,039,356,000 shares) in issue during the year ended 31 December 2021, calculated as follows:

Weighted average number of ordinary shares (basic):

	2021	2020
	'000	*'000*
Issued ordinary shares at 1 January	**3,026,883**	3,046,563
Effect of purchase of own shares *(note 18(b))*	**(25,243)**	(11,923)
Effect of purchase of shares held by the employee share trusts*	**6,540**	4,716
Weighted average number of ordinary shares (basic) as at 31 December	**3,008,180**	3,039,356

* 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):

	2021	2020
	$'000	*$'000*
Profit attributable to ordinary equity shareholders	**3,462,244**	462,364
Effect of potential ordinary shares – warrants	**62,763**	–
Profit attributable to ordinary equity shareholders (diluted)	**3,525,007**	462,364

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

	2021	2020
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**3,008,180**	3,039,356
Effect of potential ordinary shares – warrants	**118,061**	–
Weighted average number of ordinary shares (diluted) as at 31 December	**3,126,241**	3,039,356

8 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Reconciliation of carrying amount

	Land and buildings $'000	Plant and machinery $'000	Railway special assets $'000	Motor vehicles $'000	Office and other equipment $'000	Total $'000
Cost:						
At 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 and 1 January 2021	1,163,089	382,465	311,902	281,318	139,430	2,278,204
Additions	30,624	33,447	–	267,531	20,217	351,819
Transferred from construction in progress *(note 9)*	59,570	2,892	–	315,840	15,293	393,595
Disposals	(381)	(3,785)	(1,555)	(31,869)	(3,882)	(41,472)
Exchange adjustments	23,694	9,570	9,671	5,103	3,241	51,279
At 31 December 2021	1,276,596	424,589	320,018	837,923	174,299	3,033,425
Accumulated depreciation and impairment losses:						
At 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 and 1 January 2021	684,883	308,217	290,084	100,819	91,212	1,475,215
Charge for the year	29,905	18,305	260	72,823	19,903	141,196
Impairment loss (note)	–	–	–	176,871	–	176,871
Written back on disposal	(96)	(2,675)	(726)	(10,089)	(2,939)	(16,525)
Exchange adjustments	21,146	7,168	9,012	1,637	1,791	40,754
At 31 December 2021	735,838	331,015	298,630	342,061	109,967	1,817,511
Net book value:						
At 31 December 2021	540,758	93,574	21,388	495,862	64,332	1,215,914
At 31 December 2020	478,206	74,248	21,818	180,499	48,218	802,989

Note: At 31 December 2021, property, plant and equipment of the Group of $282,003,000 (31 December 2020: $63,670,000) together with land use rights of $280,981,000 (31 December 2020: $162,501,000) and restricted bank deposits of $91,613,000 (31 December 2020: $30,745,000) have been pledged as collateral for the Group's borrowings, bills payable and lease liabilities.

Impairment loss

As at 31 December 2021, due to decrease of the utilisation of certain of the Group's vehicles, an impairment loss of $176,871,000 was recognised for the property, plant and equipment, which was the result of comparing the carrying value with their recoverable amount based on value in use calculations. These calculations used cash flow projections based on financial forecasts prepared by management covering a nine-year period. The cash flows were discounted using a pre-tax discount rate of 18.00%. 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

	2021	2020
	$'000	*$'000*
The PRC (including Hong Kong and Macau)	**430,813**	370,576
Other countries	**109,945**	107,630
Aggregate net book value	**540,758**	478,206

As at 31 December 2021, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to $46,220,000 (2020: $2,518,000). 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

	2021	2020
	$'000	*$'000*
At 1 January	**441,697**	81,624
Additions	**227,154**	435,201
Transferred to property, plant and equipment *(note 8)*	**(393,595)**	(59,588)
Disposals	**–**	(23,450)
Exchange adjustments	**6,816**	7,910
At 31 December	**282,072**	441,697

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:

	2021	2020
	$'000	*$'000*
Lease prepayments *(note i)*	**406,909**	547,122
Offices leased for own use *(note ii)*	**20,107**	28,591
Motor vehicles, machinery and other equipment, carried at depreciated cost *(note ii)*	**332,199**	338,749
	759,215	914,462

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 2021, land use rights of the Group of $280,981,000 (31 December 2020: $162,501,000) together with property, plant and equipment of $282,003,000 (31 December 2020: $63,670,000) and restricted bank deposits of $91,613,000 (31 December 2020: $30,745,000) have been pledged as collateral for the Group's borrowings, bills payable and lease liabilities.

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

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

	2021	2020
	$'000	*$'000*
Depreciation charge of right-of-use assets	**92,063**	67,382
Interest on lease liabilities *(note 5(a))*	**19,120**	12,627
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December	**6,368**	2,417
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**364**	356
Impairment loss	**76,256**	–

During the year ended 31 December 2021, additions to right-of-use assets were $55,288,000. This amount included the addition of motor vehicles, machinery and other equipment with the amount of $55,288,000 and lease prepayments with the amount of $nil.

Impairment loss

In 2021, the Group received notices from local authorities for the Group's land use rights of several parcels of lands located in Inner Mongolia with aggregate carrying value of approximately $156,415,000 due to that these lands have not been developed and constructed on schedule. The Group is 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 evaluation of the development and construction progress of these lands, latest communication with local authorities and legal advice from an independent legal counsel, the Group is of the view that it is more likely than not that two parcels of the abovementioned lands would be determined as idle lands and the corresponding land use rights would be confiscated by local authorities. Therefore, an impairment loss of $55,685,000 has been charged to the consolidated statement of profit or loss during the year ended 31 December 2021, representing the carrying value of the land use rights for these two parcels of lands, 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 year ended 31 December 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.

11 INTEREST IN ASSOCIATES

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

				Proportion of ownership interest			
Company Name	Form of business structure	Place of incorporation and business	Particulars of paid up capital	Group’s effective interest	Held by the Company	Held by a subsidiary	Principal activity
Xianghui Energy (Xiamen) Co., Ltd. (“**Xianghui Energy**”)	Incorporated	PRC	RMB2,000,000,000	49%	–	49%	Coal trading in the PRC
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 consolidated financial statements.

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

	2021	2020
	$'000	*$'000*
Gross amounts of the associate		
Current assets	**4,030,300**	3,553,921
Non-current assets	**7,444**	5,956
Current liabilities	**(1,397,831)**	(1,016,267)
Non-current liabilities	**–**	(3)
Equity	**(2,639,913)**	(2,543,607)
Revenue	**6,783,055**	4,903,098
Profit for the year	**229,146**	156,136
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**2,639,913**	2,543,607
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**1,293,557**	1,246,367
Carrying amount in the consolidated financial statements	**1,293,557**	1,246,367

Aggregate information of associate that is not individually material:

	2021	2020
	$'000	*$'000*
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	**1,320**	13,334
Aggregate amounts of the Group's share of the associate's		
Loss from continuing operations	**(80)**	(219)
Total comprehensive income	**(80)**	(219)

12 INVENTORIES

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

	2021	2020
	$'000	*$'000*
Coal	**2,312,342**	659,597
Others	**89,166**	21,936
	2,401,508	681,533

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

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

	2021	2020
	$'000	*$'000*
Carrying amount of inventories sold	**34,759,622**	19,790,403
Writen down of inventories	**273,846**	65,741
	35,033,468	19,856,144

13 TRADE AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
	$'000	*$'000*
Trade debtors and bills receivable, net of loss allowance	**3,148,669**	1,176,676
Other debtors *(note i)*	**485,107**	390,632
Financial assets measured at amortised cost	**3,633,776**	1,567,308
Deposits and prepayments	**907,607**	910,814
Other tax recoverable	**306,884**	150,063
Derivative financial instruments *(note ii)*	**14,803**	56,353
	4,863,070	2,684,538

Notes:

(i) Among the other debtors, $468,468,000 (2020: $341,269,000) represented receivables due from Xianghui Energy arisen from procurement of coals as an agent of Xianghui Energy.

(ii) As at 31 December 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.

At 31 December 2021, bills receivable of the Group of $64,098,000 (31 December 2020: $162,879,000) have been pledged as collateral for the Group's borrowings.

At 31 December 2021, bills receivable of the Group of $863,014,000 (31 December 2020: $376,863,000) have been discounted to banks.

At 31 December 2021, bills receivable of the Group of $282,244,000 (31 December 2020: $319,906,000) have been pledged as collateral for bills payable.

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:

	2021	2020
	$'000	*$'000*
Within 3 months	**2,615,987**	918,258
3 to 6 months	**465,478**	247,661
6 to 12 months	**67,204**	10,757
	3,148,669	1,176,676

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

14 CONVERTIBLE BONDS AND WARRANTS PAYABLES

	Liability component	**Derivatives component**	**Warrants**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
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	–	–	–	–
At 1 January 2021	–	–	–	–
Fair value adjustment *(note 5(a))*	–	–	62,763	62,763
At 31 December 2021	–	–	62,763	62,763

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 and the warrants was 13 September 2022. The convertible bonds were 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.

On 14 August 2020, the Company early redeemed all the 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 calculated using the effective interest method have been recognised in profit or loss during the year ended 31 December 2020.

Notwithstanding the early redemption of the convertible bonds, the warrants remained outstanding as at 31 December 2021.

The initial subscription price of the warrants was HK$0.99 per share, and pursuant to the provision on adjustments to the prices set out in the relevant terms and conditions, the subscription price of warrants was subsequently adjusted to HK$0.654. On 21 February 2022, all the outstanding warrants were exercised at the subscription price for 118,060,606 ordinary shares of the Company.

15 TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
	$'000	*$'000*
Trade and bills payables	**2,724,672**	1,741,173
Prepayments from customers	**482,860**	191,465
Payables in connection with construction projects	**56,165**	69,684
Payables for purchase of equipment and motor vehicles	**127,143**	204,998
Payables for staff related costs *(note i)*	**1,020,349**	215,982
Payables for other taxes	**65,563**	31,674
Derivative financial instruments *(note ii)*	**–**	13,474
Dividends payable	**199,171**	–
Others	**66,326**	158,717
	4,742,249	2,627,167

Notes:

(i) Included bonus payable to senior management amounting to approximately $698,542,000 (2020: $99,882,000).

(ii) Derivative financial instruments represent fair value of foreign exchange forward contracts as at 31 December 2021 and 31 December 2020.

At 31 December 2021, bills payable amounting to $653,086,000 (31 December 2020: $975,511,000) have been secured by restricted bank deposits with an aggregate carrying value of $377,012,000 (31 December 2020: $688,345,000), bills receivable with an aggregate carrying value of $282,244,000 (31 December 2020: $319,906,000).

At 31 December 2021, bills payable amounting to $183,225,000 (31 December 2020: $61,490,000) together with bank loans amounting to $218,271,000 (31 December 2020: $130,702,000) have been secured by restricted bank deposits with an aggregate carrying value of $91,613,000 (31 December 2020: $30,745,000), property, plant and equipment with an aggregate carrying value of $230,140,000 (31 December 2020: $10,169,000), land use rights with an aggregate carrying value of $255,503,000 (31 December 2020: $137,167,000).

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

	2021	2020
	$'000	*$'000*
Within 3 months	**2,176,436**	1,151,011
More than 3 months but less than 6 months	**68,069**	91,620
More than 6 months but less than 1 year	**470,221**	492,443
More than 1 year	**9,946**	6,099
	2,724,672	1,741,173

16 LEASE LIABILITIES

At 31 December 2021, the lease liabilities were repayable as follows:

	2021	2020
	$'000	*$'000*
Within 1 year	**145,485**	135,538
After 1 year but within 2 years	**104,429**	118,406
After 2 years but within 5 years	**20,935**	48,463
	125,364	166,869
	270,849	302,407

At 31 December 2021, lease liabilities amounting to $24,336,000 (31 December 2020: $36,458,000) have been secured by property, plant and equipment with an aggregate carrying value of $51,863,000 (31 December 2020: $53,501,000), land use rights with an aggregate carrying value of $25,477,000 (31 December 2020: $25,334,000).

17 PROVISIONS

The movements of provisions are as follows:

	Legal obligation *$'000* *(note)*
At 1 January 2021	–
Additions	292,421
At 31 December 2021	292,421

Note:

As at 31 December 2021, a provision of US$37.50 million (approximately $292,421,000) was made by the Group for a compensation claim from a supplier. It was related to the Group's unexecuted contracts for purchase of 146,360 tonnes of coking coal, for which the Group had issued notice of termination of execution to the supplier for the reason of product quality before goods acceptance, during the year ended 31 December 2021. As at 31 December 2021, based on the available facts and circumstance in respect of the compensation claim that it is expected to be proceeded with arbitration procedures, taking into account the legal advice from its independent legal counsel, the Group based on its best estimate to provide for the amounts of the compensation claim.

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2021 ***$'000***	2020 *$'000*
Special dividend declared of $0.064 per ordinary share (2020: nil)	**193,720**	–
Final dividend proposed after the end of the reporting period of $0.302 per ordinary share (2020: nil)	**865,561**	–

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

(b) Share capital

	2021	2020
	No. of shares	No of shares
	'000	*'000*
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

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

Notes:

(i) Purchase of own shares

During the year ended 31 December 2021, the Company cancelled in aggregate of nil of its own shares which were purchased from the open market.

(ii) Employee share trusts

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

Employee share trusts are established for the purposes of awarding shares to eligible persons (including a director, officer and full-time employee of the Company or its subsidiaries, and advisors and agents who provide value-added services to the Company or its subsidiaries) under the RSU Scheme. The employee share trusts are administered by trustees and are funded by the Group's cash contributions for buying the Company's shares in the open market and recorded as contributions to employee share trusts, an equity component.

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

During the year ended 31 December 2021, the Company granted certain RSU Awards in respect of an aggregate of 72,123,434 ordinary shares (2020: 46,542,693 ordinary shares) of the Company to certain grantees pursuant to the RSU Scheme. The ordinary shares of the Company underlying the grant of RSU Awards were settled by existing ordinary shares of the Company held by the employee share trusts.

The fair value of the granted ordinary shares was $28,757,000 (2020: $9,977,000) based on the quoted price of the Company's shares on the grant date, of which $27,300,000 (2020: $14,943,000) was credited to the employee share trusts based on the weighted average cost of the granted ordinary shares, and the balance of $1,457,000 (2020: $4,966,000) was credited to the other reserve.

In addition, the Company has repurchased on-market in aggregate 51,401,230 of its own shares (2020: 23,772,000 shares) at a cash consideration of $20,625,000 (2020: $5,063,000) under the RSU Scheme during the year ended 31 December 2021.

CHAIRMAN'S STATEMENT

Dear shareholders and colleagues,

2021 was an out of the ordinary and challenging year. The Company was exposed to the ups and downs of the commodities market. In the first three quarters, the market supply and demand were unbalanced, and the price of coking coal rose sharply, which resulted from changes in China's coal import policy and the continuous global pandemic outbreak. In the fourth quarter, under the measures taken by the National Development and Reform Commission (NDRC) to ensure the supply and price stability of coking coal, the output of coking coal increased, and the molten iron decreased in the meantime with reduced demands of coking coal, resulting in a downward price of coking coal. Under such volatile market, benefit from the full anticipation of the Company's management and business team, timely adjustment of strategy and innovative business model, the Company recorded annual revenue of HK$41,184 million and net profit of HK$3,495 million.

According to the data of the China Customs, in 2021, China imported a total of 54.70 million tonnes of coking coal, representing a significant decrease of 24.62% compared to 72.57 million tonnes in 2020. In previous years, coking coal imports from Australia accounted for more than half of China's total imports of coking coal. However, the imports from Australia were basically halted in 2021, and the imports from Mongolia, the United States and Canada accounted for more than 61.32% of China's total coking coal import. In 2021, China imported 14.04 million tonnes of coking coal from Mongolia, accounting for 25.66% of China's total coking coal import; 10.24 million tonnes from the United States, accounting for 18.72% of China's total coking coal import; 9.27 million tonnes from Canada, accounting for 16.94% of China's total coking coal import. In 2021, the Company sold 17.01 million tonnes of coking coal in total. The Company's seaborne coal business team took immediate measures when China's import policy changed, selling Australian coking coal to new international markets outside China, including Japan, Malaysia, Germany and other countries, and quickly established business connections with suppliers in the United States and Canada and other countries. The procurement volume from new countries and new suppliers increased significantly, as a result of which, the Company maintained stable supply to downstream customers, and implemented the Company's global expansion strategy for suppliers and customers over the past years.

Under the continuing impact of COVID-19 pandemic in Mongolia in 2021, the import volume at the existing Mongolian ports remained low. Benefitting from the Company's deployment and operation experience of the logistics assets at various ports on the Sino-Mongolian border, the Company achieved breakthrough in import from new port and seized market shares. Meanwhile, based on the assets and intelligent system deployment, configuration and integration of the Company's long-term integrated supply chain services (comprising, among others, cross-border logistics, multimodal transportation, washing and processing and warehousing), the business team matched domestic upstream and downstream coking coal resources and ensured efficient delivery to its customers, further expanded the domestic coking coal business and achieved extremely outstanding growth.

In 2021, the Company's integrated supply chain services recorded sales revenue of HK$982 million. On 7 February 2022, the joint statement between the Chinese government and the Mongolian government states that: "The two sides will further promote the global development initiative, jointly build the Belt and Road Initiative with Mongolia's long-term development policy "Vision 2050" and "New Revival Policy" to expand cooperation in trade, investment, finance, minerals and energy, connectivity, infrastructure, digital economy and green development." "On the basis of pandemic prevention and control, the two sides will ensure the smooth operation of border ports between the two countries and improve the cargo handling capacity. The two sides will accelerate the construction of the agreed railway ports, create diversified transportation channels and facilitate pragmatic economic and trade cooperation between the two countries." Over the years, the Company has been committed to resolving the bottleneck in cross-border logistics and transportation between China and Mongolia and enhancing customs clearance efficiency. By the end of 2021, the Company had invested over 1,000 tractor trailers and over 10,000 containers, and proposed to implement China's leading Automated Guided Vehicle (AGV) unmanned cross-border transportation project at Sino-Mongolian ports, which has been put into construction and successfully tested, and submitted for approval by relevant authorities. AGV unmanned cross-border transportation project will realize intelligent upgrade on the traditional mode of automobile transportation and customs clearance, greatly improving transportation efficiency. Its features of "non-contact, green, intelligent, safe and efficient" provide a potent solution for the cross-border trade between China and Mongolia under the ongoing COVID-19 pandemic, and will further drive the cross-border transportation at Sino-Mongolian ports to be more efficient and environmentally friendly.

Due to the uncertainty of the external environment in the past two years, dividend distribution was suspended for two years in order to reserve funds for business development of the Company, for which, we kept being reminded. Therefore, when the net profit of HK$787 million was recorded in the first half of the year, the board of directors and the management unanimously approved to declare a special cash dividend of HK$0.064 per share. With the current stable business and abundant cash, the Company will continue the dividend policy of previous years and declare a dividend of HK$0.302 per share or approximately HK$866 million for the whole year of 2021, in an effort to thank the shareholders for their recognition, belief and long-term support for the Company. From 8 October 2021 to 20 January 2022, the Company continuously repurchased 277,020,000 shares, representing 9.15% of the issued shares of the Company as at 20 January 2022, with a total consideration of about HK$281.8 million, and net asset value per issued share of the Company increased accordingly. The repurchased shares were fully cancelled in February 2022.

In addition to endeavours in business performance, we also actively responded to the appeals of global environmental and social governance improvement, constantly improving and optimizing the Company's environmental, social and governance work from many aspects such as governance structure and risk control, and further giving back to community. In 2021, the Company revised and upgraded the terms of reference of the Environmental, Social and Governance (ESG) committee, and proposed the sustainable development vision of integrating ESG governance thought into corporate development strategic planning, leading the Group to become a commodity supply chain integrated service provider with the advantage of people-focused, safe and efficient, green and low-carbon, scientific development. Meanwhile, we also integrated ESG governance thought into the corporate development strategic implementation plan, to achieve an effective integration of "ESG philosophy-corporate strategy-governance implementation-evaluation and review" through the overall promotion of "decision making-management-execution", and make effort to fulfill the people-focused, safe and efficient, green and low-carbon, scientific development.

Looking back at 2021, even in the case of a sharp increase in the market, the Company still stuck to its mission and kept being a comprehensive service provider for the supply of commodities, and tried its best to ensure a stable supply to customers via rolling sales. On behalf of the Board and the management, I would like to once again express sincere gratitude to all the Company's employees who have worked tirelessly, the upstream and downstream suppliers and customers who have been cooperating with us for long, and the shareholders for their continued trust in and unfailing support.

Looking forward to 2022, with the COVID-19 pandemic, the turbulent global situation, the approaching Federal Reserve's rate hike and the rising global stagflation risk, the global environment is full of uncertainties and risks. However, change is the only constant. What we can do is to keep a low profile, adjust our strategies in a timely manner, and steadily remunerate the shareholders who keep supporting us.

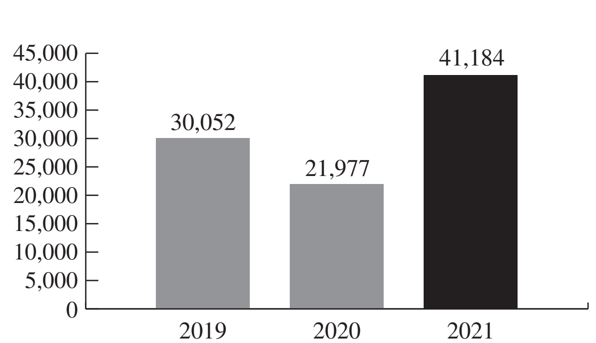
Cao Xinyi
Chairman
E-Commodities Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

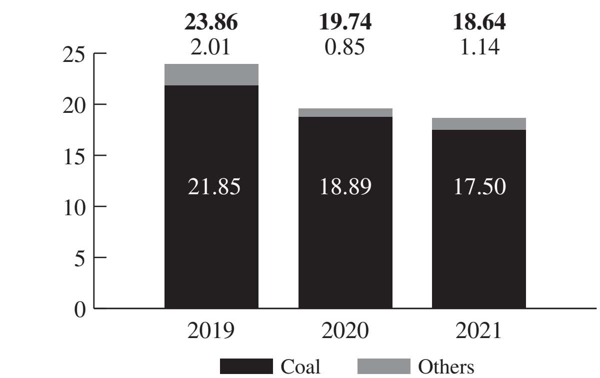
The following discussion and analysis should be read in conjunction with the Group's financial information and the notes thereto. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

I. Overview

Revenue* *(in HK$ million)*

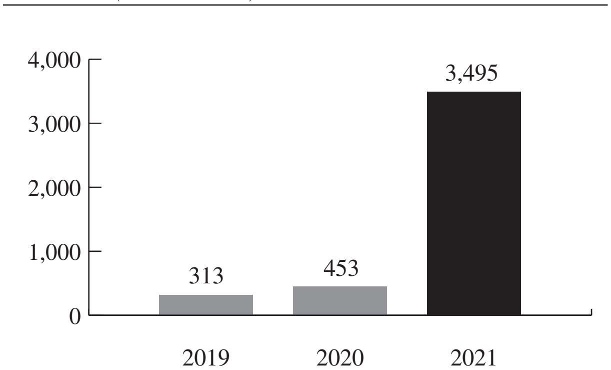


Supply Chain Trading Volume *(million tonnes)*

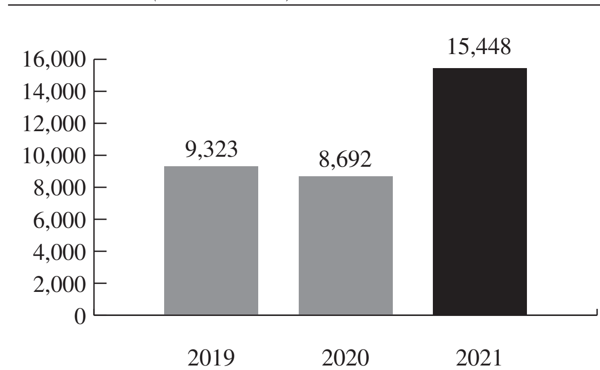


* *The revenue and trading volume of Mongolia coal trading business was transferred to and has been recording in Xianghui Energy Since October 2019.*

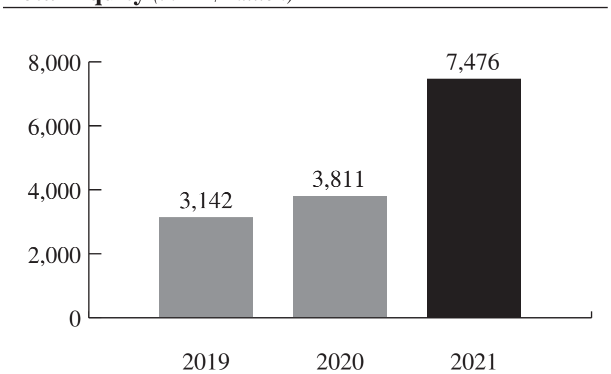
Net Profit *(in HK$ million)*



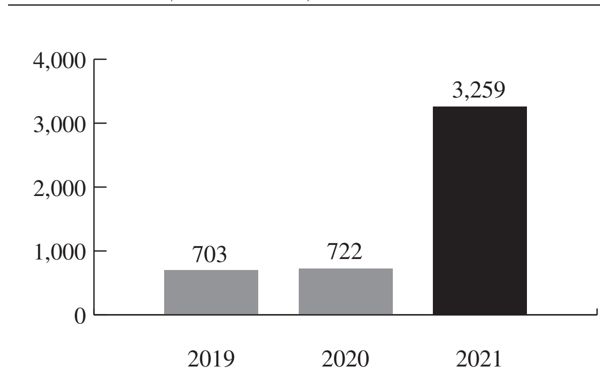
Total Assets *(in HK$ million)*



Total Equity *(in HK$ million)*



Cash Balance *(in HK$ million)*



II. Financial Review

1. Revenue Overview

In 2021, the Group recorded consolidated revenue of HK$41,184 million, representing an increase by 87.40% compared to HK$21,977 million in 2020. In 2021, the China's coking coal imports experienced policy change, the global pandemic outbreak continued and there was a huge change in supply and demand of coal products. Under such volatile markets, the Company recorded the above huge increase in revenue, where it benefits from a timely adjustment to the Company's strategy and our innovative business model, mainly due to the following factors: (1) the implementation of the Company's global expansion strategy for suppliers and customers. The Company sold Australian coking coal to new international market outside China, including Japan, Malaysia and Germany and other countries, and quickly established business connections with suppliers in the United States and Canada and the procurement volume from new countries and new suppliers increased significantly, as a result of which, the Company maintained a stable supply to downstream customers; (2) in 2021, under the continuing impact of COVID-19 pandemic in Mongolia, the freight volume at the existing border-crossing ports remained low. Benefitting from the Company's deployment and operation experience of the logistics assets at various ports on Sino-Mongolian border, the Company achieved breakthrough in import from new port and seized market shares; (3) based on the assets and intelligent system deployment, configuration and integration of the Company's long-term integrated supply chain services (comprising, among others, cross-border logistics, multimodal transportation, washing and processing and warehousing), the Company keenly matched domestic upstream and downstream coking coal resources and ensured the efficient delivery to its customers, further expanded the domestic coking coal business and achieved extremely outstanding growth of our business; and (4) the rise in coal price given the supply shortage in the context of the said market condition.

In 2021, the revenue of the Group were mainly generated from the trading of coal, of which the trading volume of coking coal of the Group slightly decreased from 17.91 million tonnes in 2020 to 17.01 million tonnes in 2021. The shortage in supply and the strong demand in the coking coal led to the rise in coking coal selling prices.

	2021	2020
	HK$'000	*HK$'000*
Disaggregated by major products or service lines		
– Coal	**36,107,175**	18,248,481
– Oil and petrochemical products	**3,007,881**	2,051,638
– Rendering of integrated supply chain services	**981,618**	973,443
– Iron ore	**864,531**	329,587
– Coke	**112,097**	5,769
– Non-ferrous metals	**51,396**	326,685
– Others	**58,903**	41,705
	41,183,601	21,977,308

In 2021, the Group further expanded its geographic coverage of business to Japan, Malaysia and Germany and other countries. Sale revenue generated from outside of PRC (including Hong Kong, Macau and Taiwan) increased sharply from HK$2,876 million in 2020 to HK$6,639 million, representing an increase of 130.84%, showing the great effort of the Group in global market expansion and market diversification.

	Revenues from external customers	
	2021	2020
	HK$'000	*HK$'000*
The PRC (including Hong Kong, Macau and Taiwan)	**34,544,878**	19,101,790
South Korea	**1,920,205**	1,393,500
India	**1,618,948**	552,386
Vietnam	**859,353**	68,479
Japan	**806,783**	–
Malaysia	**236,604**	–
Mongolia	**225,804**	41,637
Germany	**223,968**	–
Others	**747,058**	819,516
	41,183,601	21,977,308

In 2021, the sales from our top five customers accounted for 41.69% of our total sales, whereas the same ratio was 33.03% in 2020. These customers are mainly large-scale, state-owned steel groups throughout China, all being leading companies in the industry.

Supply Chain Trading

In 2021, our supply chain trading business sector contributed a majority of our revenue, in the amount of HK$40,143 million, representing approximately 97.47% of the total revenue. This revenue generates income by providing commodities trading services to our end customers, covering diversified commodities including, among others, coal products, oil and petrochemical products, iron ore, coke and non-ferrous metals.

Integrated Supply Chain Services

In 2021, sales generated from integrated supply chain services was HK$982 million, representing a slightly increase of 0.92% compared to approximately HK$973 million in 2020. This was mainly due to the continuing impact of COVID-19 pandemic in Mongolia, the import volume at the existing border-crossing ports remained low.

Business Prospects

Looking forward to 2022, given the COVID-19 pandemic, the turbulent global situation, the approaching Federal Reserve's rate hike and the rising global stagflation risk, the global environment is full of uncertainties and risks. However, change is the only constant. What we can do is to keep a low profile, adjust our strategies in a timely manner. Meanwhile, the Company will continue to make efforts at our supplier and customer base in terms of diversity, multination, high-quality and steady growth in our commodities trading business. With respect to the integrated supply chain services business, we will continue to make efforts to resolving the bottleneck in cross-border logistics and transportation between China and Mongolia and enhancing customs clearance efficiency.

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

COGS primarily consists of the purchase price, transportation costs and processing costs. COGS in 2021 was HK$35,350 million, representing a 72.25% increase compared to HK$20,523 million in 2020, which was mainly due to increased procurement price 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.

Procurement	**2021** Procurement volume *'000 tonnes*	**2021** Procurement amounts *HK$'000*	2020 Procurement volume *'000 tonnes*	2020 Procurement amounts *HK$'000*
Coal	**16,950**	**31,576,509**	17,867	16,525,142
Oil and petrochemical products	**423**	**2,961,928**	434	1,991,983
Iron ore	**711**	**908,256**	393	334,567
Coke	**32**	**107,174**	3	5,739
Non-ferrous metals	**2**	**51,059**	16	323,238
	18,118	**35,604,926**	18,713	19,180,669

In 2021, the total procurement amount was HK$35,605 million, of which the top five suppliers accounted for 29.12%. No Director or their close associates (as defined under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), or shareholders of the Company owning more than 5% of the issued shares in the Company, has any interest in suppliers.

3. Gross Profit

The Group recorded a gross profit of HK$5,834 million in 2021, representing an increase of 301.24% compared to a gross profit of HK$1,454 million recorded in 2020. The increase in gross profit was mainly due to the increased gross profit from coking coal from HK$1,166 million in 2020 to HK$5,595 million in 2021. 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 were HK$155 million in 2021, which was a 127.94% increase compared to HK$68 million in 2020. The increase in distribution costs was mainly due to the increase in domestic coking coal business.

5. Administrative Expenses

Administrative expenses were HK$1,488 million in 2021, an increase of 168.11% over HK$555 million of administrative expenses incurred in 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$977 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.

	2021	2020
	HK$'000	*HK$'000*
Staff costs	**1,235,104**	334,048
Impairment losses on trade and other receivables	**12,817**	49,093
Others	**240,150**	171,498
	1,488,071	554,639

6. Other Operating Income/(Expenses), Net

	2021	2020
	HK$'000	*HK$'000*
(Loss) on disposal of property, plant and equipment, net	**(4,972)**	(26,934)
Net realised and unrealised gain/(loss) on derivative financial instruments	**175,950**	(107,653)
Others	**(10,624)**	(8,049)
	160,354	(142,636)

Net realised and unrealised gain/(loss) on derivative financial instruments represented mainly the net gain or loss from commodity futures contracts entered into by the Group during the year ended 31 December 2021 and 2020. In 2021, the Company recorded a realised gain on derivative financial instruments of operating expenses, which was mainly due to the futures earnings of HK$184 million.

7. *Net Finance Costs*

In 2021, the Group recorded net finance costs of HK$200 million in total, compared to net finance costs of HK$177 million in 2020. The increase was mainly due to the fair value of warrants of approximately HK$63 million accounted as finance cost, the fair value of warrants increased as the Company's share price increased as well as the maturity date approaches.

	2021	2020
	HK$'000	*HK$'000*
Interest income on financial assets measured at amortised cost	**(22,681)**	(26,991)
Changes in fair value on conversion option embedded in convertible bonds and warrants	**–**	(23,391)
Finance income	**(22,681)**	(50,382)
Interest on secured bank loans	**39,281**	29,947
Interest on other interest-bearing borrowings	**27,153**	28,959
Interest on discounted bills receivables	**40,804**	34,519
Interest on lease liabilities	**19,120**	12,627
Interest on convertible bonds	**–**	68,682
Total interest expense	**126,358**	174,734
Bank and other charges	**24,807**	26,216
Changes in fair value on warrants	**62,763**	–
Foreign exchange loss, net	**8,265**	26,901
Finance costs	**222,193**	227,851
Net finance costs	**199,512**	177,469

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

The profit attributable to equity shareholders of the Company was HK$3,462 million in 2021, compared to profit attributable to equity shareholders of the Company of HK$462 million in 2020. For details of reasons for such increase, please refer to section "Revenue Overview" above.

Basic earnings per share were HK$1.151 in 2021, compared to basic earnings per share of HK$0.152 in 2020. Diluted earnings per share were HK$1.128 in 2021, compared to diluted earnings per share of HK$0.152 in 2020.

9. Impairment of Non-Current Assets

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

10. Interest in an Associate

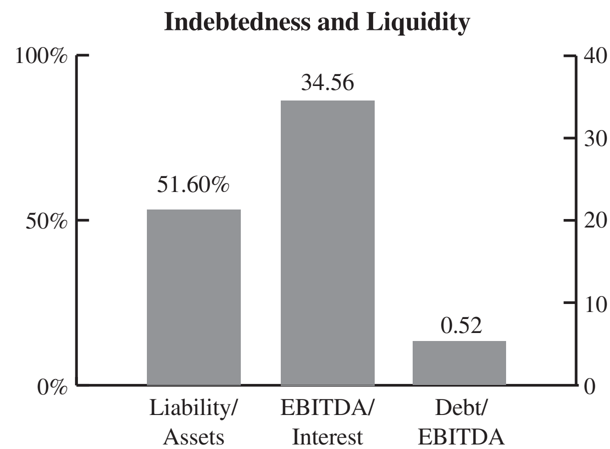
Xianghui Energy commenced operation in October 2019 and is mainly engaged in trading Mongolian coal in the PRC. Xianghui Energy recorded revenue of HK$6,783 million and net profit of HK$229 million during 2021.

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

Gross amounts of the associate	**2021**	2020
	HK$'000	*HK$'000*
Current assets	**4,030,300**	3,553,921
Non-current assets	**7,444**	5,956
Current liabilities	**(1,397,831)**	(1,016,267)
Non-current liabilities	**–**	(3)
Equity	**(2,639,913)**	(2,543,607)
Revenue	**6,783,055**	4,903,098
Profit for the year	**229,146**	156,136
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**2,639,913**	2,543,607
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**1,293,557**	1,246,367

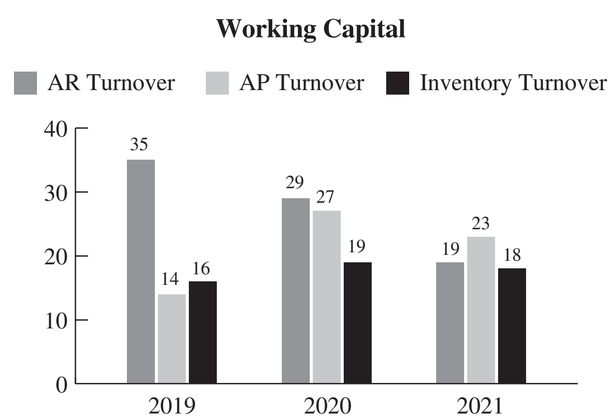
11. Indebtedness and Liquidity

The total amount of bank loans owed by the Group at the end of 2021 was HK$1,368 million. Interest rates on these loans range from 0.70% to 11.35% per annum, whereas the range in 2020 was from 0.77% to 11.35%. The Group's gearing ratio at the end of 2021 was 51.60%, which was a decrease compared to 56.16% at the end of 2020. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.



12. Working Capital

Our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 19 days, 23 days, and 18 days, respectively, in 2021. As a result, the overall cash conversion cycle was approximately 14 days in 2021, which was 7 days shorter than the Group's cash conversion cycle in 2020.



13. 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**") in the principal amount of US$40,000,000 and the 118,060,606 units of warrants (the "**Warrants**") issued on 14 September 2017, for the purpose of satisfying the capital requirements of debt refinancing and business development of the Company at that time. 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 the Warrants remained valid and due 13 September 2022.

The Warrants were subsequently transferred by the subscriber, Lord Central Opportunity VII Limited, to Star-Trinity Profits Limited (the "**Warrantholder**") on 11 October 2021. On 21 February 2022, the warrant subscription rights attaching to all the Warrants were exercised by the Warrantholder in accordance with the Warrant instrument and the Company issued 118,060,606 Warrant shares to the Warrantholder. The gross proceeds were approximately HK$77,211,636.32. After the completion of the issue of Warrant shares, there are no outstanding warrant subscription rights for the Warrantholders.

14. Pledge of Assets

At 31 December 2021, bank loans amounting to HK$124,756,000 (31 December 2020: HK$150,489,000) had been secured by credit guarantee with a guarantee amount of HK$124,756,000 (31 December 2020: HK$150,489,000) provided by subsidiaries of the Group.

At 31 December 2021, bank loans amounting to HK$218,271,000 (31 December 2020: HK$130,702,000) together with bills payable amounting to HK$183,225,000 (31 December 2020: HK$61,490,000) had been secured by restricted bank deposits with an aggregate carrying value of HK$91,613,000 (31 December 2020: HK$30,745,000), property, plant and equipment with an aggregate carrying value of HK$230,140,000 (31 December 2020: HK$10,169,000), and land use rights with an aggregate carrying value of HK$255,503,000 (31 December 2020: HK$137,167,000).

At 31 December 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 31 December 2021, bank loans amounting to HK$931,063,000(31 December 2020: HK$664,419,000) had been secured by bills receivable with an aggregate carrying value of HK$927,112,000 (31 December 2020: HK$539,742,000) and restricted bank deposits with an aggregate carrying value of HK$5,451,000 (31 December 2020: HK$115,038,000).

At 31 December 2021, bank loans amounting to HK$93,570,000 (31 December 2020: HK$nil) had been secured by restricted bank deposits with an aggregate carrying value of HK$99,201,000 (31 December 2020: HK$nil).

At 31 December 2021, bills payable amounting to HK$653,086,000 (31 December 2020: HK$975,511,000) had been secured by restricted bank deposits with an aggregate carrying value of HK$377,012,000 (31 December 2020: HK$688,345,000) and bills receivable with an aggregate carrying value of HK$282,244,000 (31 December 2020: HK$319,906,000).

At 31 December 2021, lease liabilities amounting to HK$24,336,000 (31 December 2020: HK$36,458,000) have been secured by property, plant and equipment with an aggregate carrying value of HK$51,863,000 (31 December 2020: HK$53,501,000), land use rights with an aggregate carrying value of HK$25,477,000 (31 December 2020: HK$25,334,000).

15. Cash Flow

In 2021, our operating cash inflow was HK$2,758 million compared to HK$2,965 million cash inflow during 2020. The net cash inflow from operating activities was mainly contributed from cash profit of HK$4,713 million and net cash outflows of working capital changes of HK$1,749 million. The changes in working capital were mainly due to increase in inventory of approximately HK$1,720 million and increase in account receivables of approximately HK$2,083 million.

In 2021, the Group paid a cash outflow from investing activities of HK$456 million compared to HK$559 million cash outflow during 2020. The net cash outflow was mainly due to investment in purchases of logistics assets of approximately HK$647 million, increase in restricted bank deposits, cash inflows from settlement of derivative financial instruments as well as dividends received from Xianghui Energy.

In 2021, the Group had a cash inflow from financing activities of HK$153 million compared to HK$2,438 million cash outflow during 2020. The cash inflow from financing activities was mainly attributable to cash inflow of bills discounted loans due in the amount of approximately HK$345 million and contribution from non-controlling interests in the amount of approximately HK$332 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:

	2021(1)	**Adjustments**	**Adjusted 2021(2)**
	HK$'000	***HK$'000***	***HK$'000***
Cash and cash equivalents at 1 January	**721,819**		**721,819**
Net cash generated from operating activities	**2,758,340**	**707,702**	**3,466,042**
Net cash (used in)/generated from investing activities	**(465,366)**	**(320,332)***	**(776,698)**
Net cash (used in)/generated from financing activities	**152,903**	**(387,370)****	**(234,467)**
Effect of foreign exchange rate changes	**82,697**		**82,697**
Cash and cash equivalents at 31 December	**3,259,393**		**3,259,393**

Notes:

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

(2) Illustrative purpose only.

* Full margin deposit for bills payable

** Discounted bills and bill pledged loans

III. Working Capital and Financial Policy

The Group managed its funds by pre-planning and real-time monitoring measures. The Group raised funds through business activities, discount of bills receivable, factoring of accounts receivable, banking facilities from domestic and overseas banks, and bond financing, so as to ensure funding for business operations, loan repayments and capital expenditure. In 2021, 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 34.00% of the Group's revenue in 2021 was denominated in RMB. Over 77.08% 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 2021. 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 2021, the Company has subsidiaries and branch offices in PRC (including Hong Kong and Macau), Singapore, Mongolia and other countries and regions. The Group has entered into formal employment contracts with all employees and pays all mandatory social insurances in full in the relevant countries and regions in strict compliance with the applicable laws and regulations.

As at 31 December 2021, there were 1,749 full-time employees in the Group (excluding 723 dispatch staff from domestic subsidiaries). The breakdown of employee categories is as follows:

	2021		2020	
Functions	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Management, Administration & Finance	**120**	**7%**	82	7%
Front-line Production & Production Support & Maintenance	**48**	**3%**	49	4%
Sales & Marketing	**95**	**5%**	75	7%
Others (incl. Projects and Transportation)	**197**	**11%**	116	11%
Cargo Truck Drivers (Mongolia)	**1,289**	**74%**	797	71%
Total	**1,749**	**100%**	1,119	100%

2. Employee Education Overview

	2021		2020	
Qualifications	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Master & above	**49**	**3%**	54	5%
Bachelor	**231**	**13%**	168	15%
Diploma	**50**	**3%**	53	5%
High-School, Technical School & below	**1,419**	**81%**	844	75%
Total	**1,749**	**100%**	1,119	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 2021, the Company held various training programs totaling 529 hours, and over 1,547 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

	2021		2020	
Training Courses	**No. of hours**	**No. of participants**	No. of hours	No. of participants
Safety	**54**	**1,010**	312	1,504
Management & Leadership	**445**	**451**	63.5	216
Operation Excellence	**30**	**86**	95	72
Total	**529**	**1,547**	470.5	1,792

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 2021.

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 2021 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 2021 ESG report of the Company.

VII. Final Dividends

A final dividend in cash of HK$0.302 per share, totalling approximately HK$866 million, has been declared for the year ended 31 December 2021. The final dividend would be payable to the shareholders of the Company subject to the approval of the shareholders of Company at the forthcoming annual general meeting. The final dividend is expected to be paid by no later than 16 September 2022. The dates for closure of register of members of the Company for ascertaining shareholders' entitlement to the final dividend will be further announced.

VIII. Compliance With the CG Code

Throughout the year ended 31 December 2021, the Company complied with the code provisions (the "**Code Provisions**") under the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**"), except for the deviation from the Code Provision 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 of the Company 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 2021.

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 2021.

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

As at 31 December 2021, the Company had a total of 3,026,882,356 shares in issue. The Company repurchased a total of 163,560,000 shares and 113,460,000 shares on the Stock Exchange during the year ended 31 December 2021 and January 2022, respectively. All of the 277,020,000 repurchased shares were cancelled in February 2022.

XI. Other Information and Subsequent to the Reporting Date

Entering into the Capital Increase Agreements

On 23 August 2021, the Company entered into (1) a 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) ("**Xiangyu Logistics**") and Xiamen Xiangyu Joint Stock Company Limited* (廈門象嶼股份有限公司) ("**Xiangyu Joint Stock**"), pursuant to which Xiangyu Logistics agreed to subscribe for the additional registered capital of Inner Mongolia E-35 in the amount of RMB159.10 million for a cash consideration of RMB184.2709 million, representing 20% of the enlarged total equity interest in Inner Mongolia E-35 (the "**E-35 Capital Increase Agreement**"); and (2) a 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) ("**Jiangsu Haotong**"), 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, Xiangyu Logistics and Xiangyu Joint Stock, pursuant to which Xiangyu Logistics agreed to subscribe for the additional registered capital of Haotong Environmental Technology in the amount of RMB86.7891 million for a cash consideration of the RMB86.7891 million, representing 20% of the enlarged equity interest in Haotong Environmental Technology (the "**Haotong Capital Increase Agreement**", together with E-35 Capital Increase Agreement, the "**Capital Increase Agreements**"). Further details of the Capital Increase Agreements are set out in the Company's announcement dated 23 August 2021.

Entering into the Mutual Supply Framework Agreement

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

Supply of products

Under the Mutual Supply Agreement, (i) the Group shall supply to Xiamen Xiangyu, from time to time during the term thereof, the E-Commodities Products (the "**Sales Transactions**") that mainly comprising seaborne coking coal, a small amount of domestic coking coal, petrochemical products and iron ores; and (ii) Xiamen Xiangyu shall supply to the Group, from time to time during the term thereof, the Xiangyu Products (the "**Procurement Transactions**") that mainly comprising petrochemical products (including, among others, methyl tert-butyl ether, petroleum coke, petrol and diesel), Mongolian coal, domestic coking coal, and a small amount of iron ores, with a view to leverage each party's respective advantages in resources and channels of suppliers and customers, and different nature of products in terms of, among others, country origins, products quality and indicators and categories, to expand their respective market competitiveness.

Provision of services

Under the Mutual Supply Agreement, (i) the Group shall provide to Xiamen Xiangyu, from time to time during the term thereof, the E-Commodities Services (the "**E-Commodities Services Transactions**") that mainly comprising commodities logistics services in Mongolia, Inner Mongolia and cross border ports through truck and railway transportation, warehousing, washing, processing and consulting services. In particular, the Company will provide to Xiamen Xiangyu the logistics services in relation to the Mongolian coal trading business of Xiamen Xiangyu, and (ii) Xiamen Xiangyu shall provide to the Group, from time to time during the term thereof, the Xiangyu Services (the "**Xiangyu Services Transactions**") that mainly comprising full suite of door-to-door logistics services in relation to international and domestic commodities trading business including, among others, ship transportation, multi-modal transportation, ports terminal services and bulk warehouse storage. In particular, Xiamen Xiangyu will provide to the Group with logistics services through its bulk shipping, warehousing, and road and railway transportation resources at coastal area for the Group's commodities trading business in relation to, among others, seaborne coking coal and petrochemical products, in order to facilitate the business cooperation between the Group and Xiamen Xiangyu by equipping with commodities logistics services and transportation services, which are the core competitive capability of the Group, as well as the port services at coastal areas and inland waterway of Xiamen Xiangyu.

Transaction caps

For the three financial years ending 31 December 2024, it is expected that the caps for relevant Sale Transactions, Procurement Transactions, E-Commodities Services Transactions and Xiangyu Services Transactions under the Mutual Supply Framework Agreement are as follow:

	For the year ended 31 December		
	2022	**2023**	**2024**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
Sale Transactions Annual Cap	5,500	6,400	7,420
Procurement Transactions Annual Cap	2,984	4,608	5,990
E-Commodities Services Transactions Annual Cap	3,347	3,990	5,187
Xiangyu Services Transactions Annual Cap	90	120	156
TOTAL	**11,921**	**15,118**	**18,753**

The relevant annual caps for the transactions contemplated under the Mutual Supply Framework Agreement as set out above were arrived at based upon:

(a). the prices for the relevant products and services as determined according to the pricing policies under the Mutual Supply Framework Agreement with reference to the public information available to the Company at the time of entering into the Mutual Supply Framework Agreement;

(b). the estimated volume of E-Commodities Products and Xiangyu Products to be supplied by the Group and Xiamen Xiangyu, respectively, taking into account of, among others, the following factors: (i) the growth in, and the demand of, the Group's business in the future, especially in the next three years following the completion of the Capital Increase Agreements, (ii) the parties' respective business exploration strategy and planning, and (iii) the historical transaction volume;

(c). the demand of E-Commodities Services and Xiamen Xiangyu Services by the Group and Xiamen Xiangyu, respectively, taking into account of further cooperation between the Group and Xiamen Xiangyu in relation to their respective products and business development plan under the existing cooperation arrangement between the parties, the anticipation of pandemic impact will be gradually alleviated and economic recovery, and border-crossing commodities supply chain services as well as domestic logistics services required by each party, especially in the next three years following the completion of the Capital Increase Agreements; and

(d). the historical transaction values of the relevant supply of products and provision of services under the existing transaction arrangement between the Group and Xiamen Xiangyu.

Adoption of the 2022 RSU Scheme

On 6 January 2022, the Board approved the adoption of the 2022 restricted share unit scheme of the Company (the "**2022 RSU Scheme**") given the existing restricted share unit scheme is expiring on 11 June 2022. The purpose of the 2022 RSU Scheme is to retain and motivate participants to make contributions to the long term growth and profits of the Group with a view to achieving the objective of increasing the value of the Group and to promote a greater alignment of interests between participants and the Shareholders. The 2022 RSU Scheme shall be valid and effective for a period of ten (10) years commencing from the date of adoption of the 2022 RSU Scheme. The total number of Shares underlying the restricted share units to be granted under the 2022 RSU Scheme (excluding the Shares underlying the restricted share units that are lapsed or cancelled in accordance with the relevant provisions of the 2022 RSU Scheme) shall not exceed 10% of the issued Shares as at the date of the adoption of 2022 RSU Scheme.

Pursuant to a trust deed entered into between the Company and Computershare Hong Kong Trustee Limited (the "**Trust Deed**"), the Company appointed Computershare Hong Kong Trustee Limited as the trustee for the administration of the 2022 RSU Scheme pursuant to the terms of the 2022 RSU Scheme (the "**Trustee**"). Under the Trust Deed, the Trustee shall not exercise any voting rights in respect of the Shares held pursuant to the settlement created by the Trust Deed. The Trustee will administer the 2022 RSU Scheme in accordance with the terms of the 2022 RSU Scheme and the Trust Deed.

The grant of restricted share units shall be satisfied by existing Shares to be acquired by the Trustee through on-market transactions. The Company shall procure that sufficient funds are provided to the Trustee to enable the Trustee to satisfy its obligations in connection with the 2022 RSU Scheme. Further details of the 2022 RSU Scheme are set out in the Company's announcement dated 6 January 2022.

Exercise of Warrants and issue of Warrant Shares

On 21 February 2022, the warrant subscription rights attaching to all the warrants issued by the Company dated 14 September 2017 (the "**Warrants**") were exercised by the Star-Trinity Profits Limited (the "**Warrantholder**") in accordance with the instrument of the Warrants (the "**Warrants Instrument**") and a total number of 118,060,606 Shares underlying the Warrants (the "**Warrant Share(s)**") were issued on 21 February 2022. The initial subscription price for the Warrants was HK$0.99 per Warrant Share (the "**Warrant Subscription Price**") with the effective period of five years from 14 September 2017 to 13 September 2022. The Warrant Subscription Price was subsequently adjusted pursuant to the terms and conditions of the Warrant Instrument as a result of the declaration of an interim dividend of HK$0.038 per Share for the six month ended 30 June 2017, the declaration of the final dividend of HK$0.034 per Share for the year ended 31 December 2017, the declaration of the final dividend of HK$0.072 per Share for the year ended 31 December 2018 and the declaration of a special dividend of HK$0.064 per Share on 30 September 2021. Accordingly, the Warrant Subscription Price was adjusted to HK$0.654 per Warrant Share. The gross proceeds from the issue of Warrant Shares were approximately HK$77,211,636.32 and the net proceeds from the issue of Warrant Shares, after deducting related fees and expenses, were approximately HK$77,054,712.62. Pursuant to the terms and conditions of the Warrant Instrument, the Company proposes to apply such proceeds for daily liquidity and business development of the Company.

The Warrants were transferred by Lord Central Opportunity VII Limited, the subscriber of the Warrants, to the Warrantholder on 11 October 2021. Upon the completion of the exercise of Warrants, 118,060,606 Warrant Shares were issued to the Warrantholder, representing approximately 4.12% of the total number of shares in issue in the Company as at 21 February 2022. The Warrant Shares issued to the Warrantholder shall rank pari passu and carry the same rights and privilege in all aspects with the fully paid Shares in issue as at the date of allotment and issue of such Warrant Shares. After the completion of the issue of Warrant Shares, there were no outstanding Warrant Subscription Rights for the Warrantholder.

Further details of the exercise of Warrants and issue of Warrant Shares are set out in the Company's announcement dated 21 February 2022.

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 2021.

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 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, 29 March, 2022

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.