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E-COMMODITIES HOLDINGS LIMITED

易大宗控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1733)

CONNECTED TRANSACTION CAPITAL REDUCTION OF XIANGHUI ENERGY

Reference is made to the announcement of the Company date 25 July 2019, in relation to the formation of Xianghui Energy. As at the date of this announcement, the registered capital of Xianghui Energy is RMB2 billion, of which RMB980 million was contributed by Beijing E-Daotong (a wholly-owned subsidiary of the Company), representing 49% of the equity interest in Xianghui Energy.

On 11 December 2022, Beijing E-Daotong, Xiangyu Joint Stock and Xianghui Energy entered into the Capital Reduction Agreement, pursuant to which the registered capital of Xianghui Energy will be reduced from RMB2 billion to RMB1.2 billion, while Beijing E-Daotong and Xiangyu Joint Stock agreed to reduce their respective subscribed registered capital in proportion to their respective equity interest in Xianghui Energy. Upon the completion of the Capital Reduction, the percentage of equity interest in Xianghui Energy held by Beijing E-Daotong will remain unchanged, representing 49% of the equity interest in Xianghui Energy.

As at the date of this announcement, Xiangyu Joint Stock is a substantial shareholder of Inner Mongolia E-35 and Haotong Environmental Technology, both are indirect non-wholly owned subsidiaries of the Company; therefore, Xiangyu Joint Stock is a connected person of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules. As a result, transaction contemplated under the Capital Reduction Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) the Board has approved the transaction contemplated under the Capital Reduction Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the transaction contemplated under the Capital Reduction Agreement are fair and reasonable, and the transaction contemplated thereunder is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transaction contemplated under the Capital

Reduction Agreement is therefore subject to the reporting, announcement and annual review requirements only but exempt from the circular, independent financial advisors' advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

A. CAPITAL REDUCTION AGREEMENT

Reference is made to the announcement of the Company date 25 July 2019, in relation to the formation of Xianghui Energy. As at the date of this announcement, the registered capital of Xianghui Energy is RMB2 billion, of which RMB980 million was contributed by Beijing E-Daotong (a wholly-owned subsidiary of the Company), representing 49% of the equity interest in Xianghui Energy.

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Date

11 December 2022

Parties

- (1) Beijing E-Daotong;
- (2) Xiangyu Joint Stock; and
- (3) Xianghui Energy

Capital Reduction

Beijing E-Daotong and Xiangyu Joint Stock agreed to reduce the registered capital of Xianghui Energy in proportion to their respective equity interest in Xianghui Energy held thereby. Upon the completion of the Capital Reduction, the registered capital of Xianghui Energy will be reduced from RMB2 billion to RMB1.2 billion.

The shareholding structure of Xianghui Energy before the Capital Reduction is set out as follows:

Shareholder	Subscribed registered capital (RMB million)	Percentage of equity interest	Paid-in registered capital (RMB million)
Beijing E-Daotong	980	49%	980
Xiangyu Joint Stock	1,020	51%	1,020
Total	2,000	100%	2,000

The shareholding structure of Xianghui Energy after the Capital Reduction is set out as follows:

Shareholder	Subscribed and paid-in registered capital (RMB million)	Percentage of equity interest	Amount of Capital Reduction (RMB million)
Beijing E-Daotong	588	49%	392
Xiangyu Joint Stock	612	51%	408
Total	1,200	100%	800

Under the Capital Reduction Agreement, the amount of Capital Reduction that shall be returned by Xianghui Energy to Beijing E-Daotong is RMB392 million, which was determined by the parties in arm's-length negotiation based on the registered capital of Xianghui Energy taking into account of various factors such as the business nature of Xianghui Energy, its working capital requirement and future development plans.

Payment

Xianghui Energy shall return the respective amount of Capital Reduction to Xianghui Energy Shareholders after the Capital Reduction becomes effective pursuant to the Capital Reduction Agreement.

B. REASON FOR AND BENEFIT OF THE CAPITAL REDUCTION AGREEMENT

Along with the orderly and stable business development of Xianghui Energy, based on good mutual trust and cooperation between banks and enterprises, Xianghui Energy has gradually improved its financing capacity with sufficient working capital for business operation. In order to further optimize the internal resources management of each of the Xianghui Energy Shareholders, all parties fully considered the future working capital needs of Xianghui Energy, the Company and Xiangyu Joint Stock agreed to reduce the registered capital of Xianghui Energy proportionally.

The Directors (including the independent non-executive Directors) consider that the terms of the Capital Reduction Agreement are on normal commercial terms, and the transaction contemplated thereunder is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Capital Reduction Agreement has been reviewed and approved by the Board and none of the Directors has material interests in the transaction.

C. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Xiangyu Joint Stock is a substantial shareholder of Inner Mongolia E-35 and Haotong Environmental Technology, both are indirect non-wholly owned subsidiaries of the Company; therefore, Xiangyu Joint Stock is a connected person of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules. As a result, transaction contemplated under the Capital Reduction Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) the Board has approved the transaction contemplated under the Capital Reduction Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the transaction contemplated under the Capital Reduction Agreement are fair and reasonable, and the transaction contemplated thereunder is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transaction contemplated under the Capital Reduction Agreement is therefore subject to the reporting, announcement and annual review requirements only but exempt from the circular, independent financial advisors' advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

D. INFORMATION ON THE COMPANY AND PARTIES

The Company

The Company is a company incorporated in the British Virgin Islands and is principally engaged in the processing and trading of coal and other products and providing logistics services throughout the commodity supply chain. The Company is ultimately controlled by Ms. Wang Yihan (王奕涵女士).

Beijing E-Daotong

Beijing E-Daotong is a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding business.

Xiangyu Joint Stock

Xiangyu Joint Stock is a state-owned enterprise owned by Xiamen Xiangyu Group Co., Ltd.* (廈門象嶼集團有限公司) and its shares are listed on the main board of the Shanghai Stock Exchange. Xiangyu Joint Stock is principally engaged in commodities trading, related logistics services, and the development and operation of logistics platforms (parks). Xiangyu Joint Stock is ultimately controlled by the state-owned assets supervision and administration commission of the People's Government of Xiamen City.

Xianghui Energy

Xianghui is a company established under the laws of the PRC with limited liability, and is principally engaged in trading of Mongolian coal in the PRC. Xianghui Energy is owned as to 49% by the Company and as to 51% by Xiangyu Joint Stock, respectively.

E. DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Beijing E-Daotong”	Beijing E-Daotong Import and Export Co., Ltd.* (北京易道通進出口有限公司), a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Capital Reduction”	Xianghui Energy Shareholders agreed to reduce the registered capital in proportion to their respective equity interests in Xianghui Energy in accordance with the Capital Reduction Agreement, upon the completion of which the registered capital of Xianghui Energy will be reduced from RMB2 billion to RMB1.2 billion
“Capital Reduction Agreement”	The capital reduction agreement entered into between Beijing E-Daotong, Xiangyu Joint Stock and Xianghui Energy on 11 December 2022 in relation to the Capital Reduction
“Company”	E-Commodities Holdings Limited, a limited liability company incorporated in the British Virgin Islands, the shares of which are listed and traded on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Haotong Environmental Technology”	Inner Mongolia Haotong Environmental Technology Co., Ltd.* (內蒙古浩通環保科技有限公司), a company established under the laws of the PRC, which is indirectly owned as to 80% by the Company and 20% by Xiangyu Joint Stock, respectively
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Inner Mongolia E-35”	Inner Mongolia E-35 Technology Co., Ltd.* (內蒙古易至科技股份有限公司), a company established under the laws of the PRC, which is indirectly owned as to 80% by the Company and 20% by Xiangyu Joint Stock, respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company with no par value
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xianghui Energy”	Xianghui Energy (Xiamen) Co., Ltd.* (象暉能源(廈門)有限公司), a company established under the laws of the PRC with limited liability, which is owned as to 49% by the Beijing E-Daotong and as to 51% by Xiangyu Joint Stock, respectively, as at the date of this announcement
“Xianghui Energy Shareholders”	Beijing E-Daotong and Xiangyu Joint Stock

“Xiangyu Joint Stock”

Xiamen Xiangyu Joint Stock Company Limited* (廈門象嶼股份有限公司), a state-owned enterprise incorporated under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600057.SH)

“%”

per cent.

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

Hong Kong, 12 December 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.

* *For identification purposes only*