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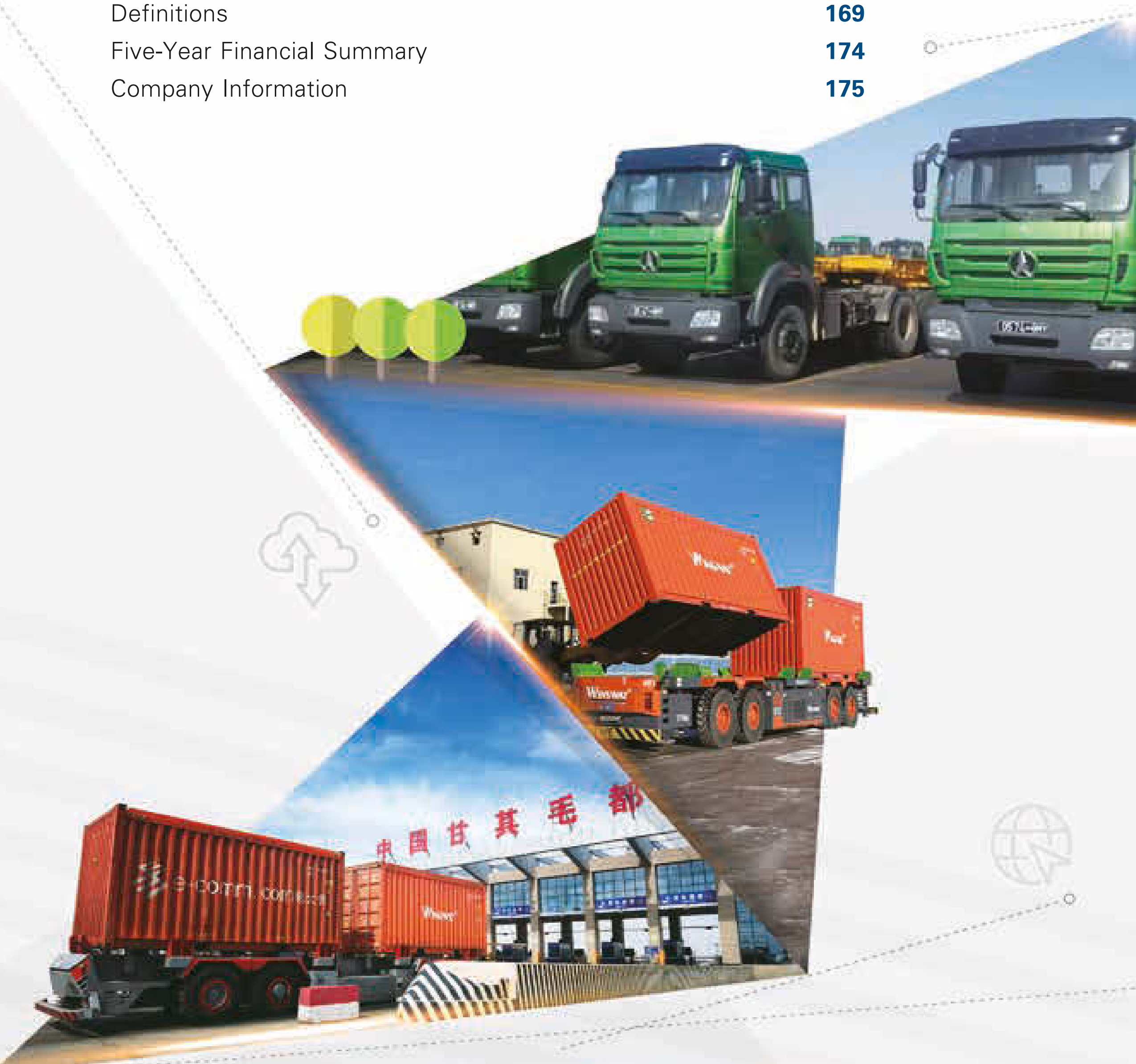
E-COMMODITIES HOLDINGS LIMITED
易大宗控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 1733

2022
ANNUAL REPORT

CONTENTS



Chairman's Statement

Dear Shareholders and colleagues,

Looking back at 2022, we forged ahead energetically and courageously in a complex and volatile market. Due to the complex and ever-changing international situation, the frequent occurrence of black swan events, coupled with the impact of pandemic resurgence and real estate policies in China, the coking coal market transformed from strong supply and weak demand to weak supply and demand in 2022, the raw material inventory of downstream coking steel enterprises remained at a low level, the price of coking coal fluctuated widely in the supply and demand game and shifted downwards. Facing such unexpected challenges, the Company benefited from the strategic advantages in its business layout, parallelly employed the eastern and western resource channels, simultaneously developed trading and integrated supply chain services, and finally achieved an annual revenue of HK$34,414 million and a net profit of HK$1,705 million, respectively.

In 2022, with the development of the Russia-Ukraine conflict, the import pattern of coking coal was reshaped. Mongolia and Russia emerged as the primary exporters of coking coal to China, from which contributed 73.02% of China's total coking coal import with total import volume of 46.61 million tonnes, and at the same time, other foreign countries shifted their focus of coking coal exports to markets other than China. In terms of demand, in 2022, the weak demand of downstream steel mills resulted in low enthusiasm for production and voluntary production reduction and limitation. Through continuously implementing the "global expansion strategy" and the sales strategy of "rolling sales", strictly controlling internal risks, and relying on global procurement resources, the Company has risen to the challenge and achieved an aggregate sales volume of approximately 11.35 million tonnes of coal, and has achieved a sales volume of approximately 4.18 million tonnes of Mongolian coal through our joint venture, Xianghui Energy, under such a severe external environment and volatile market. While grasping the advantages of global distribution channels of coking coal resources, the Company has improved our customer service capability and consumer loyalty to strengthen its market share, and to create a one-stop coking coal procurement platform.

It is particularly worth noting that our integrated supply chain services business which is another major strategic segment of the Company in addition to supply chain trading business, has benefited from the recovery of cross-border transportation volume between China and Mongolia, as well as the Company's long-term investment and layout in logistics infrastructure (including cross-border transportation between China and Mongolia, port warehousing, coal washing and processing and domestic railway and road transportation) over the years, achieving a significant growth in 2022. In particular, the Company's integrated supply chain services business recorded a revenue of HK$3,757 million, representing an increase of 282.59% as compared with HK$982 million in 2021.

- In 2022, benefiting from the active promotion and effective implementation of pandemic precautionary measures by the governments of China and Mongolia, Mongolian coal imports increased, which led to a surge in the number of customs clearance vehicles at the two major ports including Gants Mod Port and Ceke Port climbed.

Chairman's Statement

- The Company's continuous investment in logistics infrastructure in strategic areas at Sino-Mongolia land ports since 2005 has equipped us with the irreplicable capabilities of the Company in terms of the cross-border clearance between China and Mongolia (including major land ports at Gants Mod, Ceke and Erlianhot), as well as matching port park warehousing and railway and road transportation capabilities. Cross-border transportation not only requires the Company to be equipped with the logistic infrastructure on one side of the ports in China, but also indispensable capabilities for accurate allocation of logistic assets across border in and out of China. As at the end of 2022, the Company has invested in fixed assets with a carrying value in a total amount of HK$4,400 million at Sino-Mongolia ports, including domestic and overseas depots, port logistics parks, self-built and leased railway platforms, railway self-provided vehicles, container trucks, containers, Automated Guided Vehicles (AGVs) and coal washing plants. By fully leveraging the ability of logistics resource integration, strong external despatching capabilities, and the sales capabilities of the coking coal trading team, the Company has moved ahead steadily and surely, so as to provide stable and extensive services for downstream coking steel customer clusters for a long time.

- Meanwhile, the Company actively promoted the change and improvement along the supply chain to achieve a business model driven by data. With our strategy of "three intelligence", namely, "intelligent logistics", "intelligent ports" and "intelligent customs clearance", the Company achieved connection between "road, railway, and warehouse", and built an Internet of logistics service system covering Inner Mongolia and surrounding areas as the core coverage area, and independently developed the "E-Link" smart logistics system, "E-Coking Coal" business and management system, "AGV TOS" cross-border logistics scheduling system, all of which have made breakthrough progress. Through connecting isolated business and data island and realising "data sharing, digital control", the Company is able to serve all participants along the commodity supply chain, and facilitate the management of transactions and business in all aspects more efficiently, thereby achieving a virtuous cycle of quality improvement and efficiency.

In the future, the Company will continue to focus on commodities trading business and integrated supply chain services business, with the strategy of "specialisation, internationalisation and digitalisation", to strengthen the advantages and highlights of the Company. In particular, in respect of the strategic development of land ports along China's borders, the Company will closely follow the development of Mongolia in terms of resources and transportation capacity, and in due course, carry out the development and construction of new ports, as well as investment in the supporting supply chain in the PRC to further expand our leading position in the supply chain business at land ports.

In light of the current stable business development and relatively abundant cash flow, the Company will continue the dividend policy by declaring a 2022 final dividend of approximately HK$241 million, and a total dividend of HK$416 million for the whole year of 2022. From 6 July 2022 to 16 January 2023, the Company continuously repurchased a total of 132,038,000 shares from the market, representing approximately 4.60% of the issued shares of the Company as at 16 January 2023, for a consideration of approximately HK$207 million.

Chairman's Statement

The Company has always attached great importance to and actively performed the responsibility of improving global environmental and social governance, and adhered to the business philosophy of environment-friendliness and harmonious development by actively seeking efficient environmental protection and promoting clean and low-carbon development, to help to achieve the goal of carbon peak dioxide emissions and carbon neutrality. According to its business development, the Company has also continuously optimised its corporate governance structure, and established and maintained an adequate and effective risk management and internal control system based on the "three lines of defense". In addition, the Company has also actively shared its latest developments with investors in a timely manner, and insistently delivered corporate value to its shareholders.

Over the past year, we have witnessed the impact of uncertainty on the world, and we expect such uncertainty to continue as a new normal for the years to come. No matter what the market conditions may be, the Company remains true to its core values, and will focus on commodities trading and integrated supply chain services, to make every leap with the mentality of building a "century-old enterprise". We are determined to achieve new breakthroughs, deliver new achievements, and create new performance in the new journey, so as to sincerely bring returns to shareholders for their long-term support!

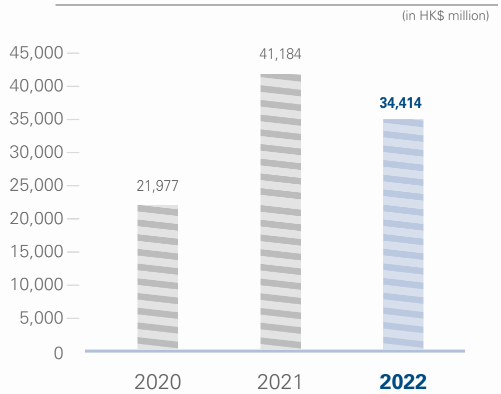
Cao Xinyi
Chairman
E-Commodities Holdings Limited

Management Discussion and Analysis of Financial Conditions and Operating Results

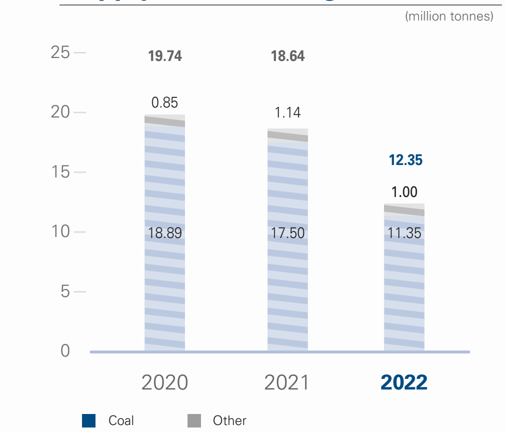
The following discussion and analysis should be read in conjunction with the Group's financial information and the notes thereto. The Group's financial statements have been prepared in accordance with IFRSs.

I. OVERVIEW

Revenue*

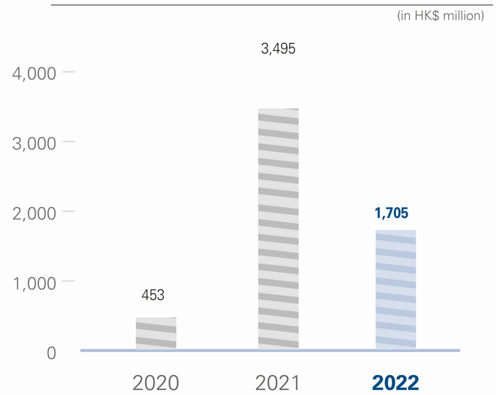


Supply Chain Trading Volumes*

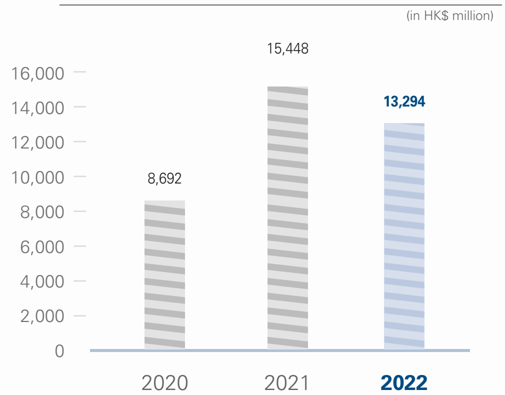


* The revenue and trading volume of Mongolia coal trading business was transferred to and has been recording in Xianghui Energy since October 2019.

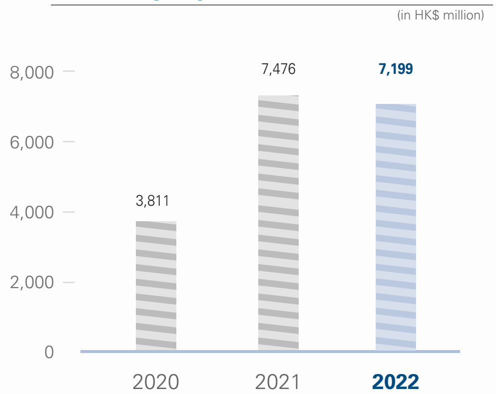
Net Profit



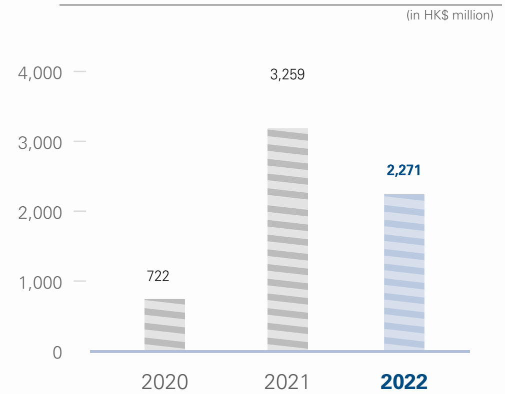
Total Assets



Total Equity



Cash Balance



Management Discussion and Analysis of Financial Conditions and Operating Results

II. FINANCIAL REVIEW

1. Revenue Overview

In 2022, the Group recorded consolidated revenue of HK$34,414 million, representing a decrease of 16.44% compared to HK$41,184 million in 2021. The change was mainly due to:

i) In 2022, due to the impact of pandemic and complex and ever-changing international situation, the coking coal market transformed from strong supply and weak demand to a phase of dual weak supply and demand, and the downstream steel mills were less motivated to purchase and the international coking coal prices fluctuated widely. The Group adopted a cautious strategy trading according to the market trends with diversified procurement channels and trading strategies. The coal trading segment recorded a revenue of HK$26,927 million, representing a decrease of approximately 25.42% compared with 2021;

ii) Integrated supply chain services, which is another strategic segment of the Company in addition to supply chain trading, recorded a revenue of HK$3,757 million, representing an increase of 282.59% compared to the amount in 2021, mainly due to:

(a) the pandemic precautionary measures and the trade cooperation actively promoted and coordinated by the governments of China and Mongolia to ensure the smooth customs clearance of cargoes, leading to a significant increase in the volume of cargoes pass through China and Mongolia ports;

(b) the Company's continued layout of integrated supply chain service assets over the years paid off, leading to a growth in the integrated supply chain business; and

(c) the development of a digital intelligence platform and the establishment of a smart logistic park, which helped the integrated supply chain logistics business.

Management Discussion and Analysis of Financial Conditions and Operating Results

	2022	2021
	HK$'000	HK$'000
Disaggregated by major products or service lines		
– Coal	**26,927,042**	36,107,175
– Rendering of integrated supply chain services	**3,756,526**	981,618
– Oil and petrochemical products	**3,137,601**	3,007,881
– Iron ore	**515,550**	864,531
– Coke	**29,298**	112,097
– Nonferrous metals	**–**	51,396
– Others	**48,237**	58,903
	34,414,254	41,183,601

In 2022, sales revenue generated from outside of PRC (including Hong Kong, Macau and Taiwan) was HK$6,677 million, the proportion of revenue increased from 16.12% in 2021 to 19.40% in 2022, showing the great effort of the Group in global market expansion and market diversification. In 2022, the Group's oversea business geographic coverage includes South Korea, Indonesia, Netherlands, Malaysia, India, Mongolia, Japan and other countries.

	Revenues from external customers	
	2022	2021
	HK$'000	HK$'000
The PRC (including Hong Kong, Macau and Taiwan)	**27,737,415**	34,544,878
South Korea	**1,887,872**	1,920,205
Indonesia	**1,412,192**	164,250
Netherlands	**1,314,016**	134,492
Malaysia	**606,643**	236,604
India	**568,819**	1,618,948
Mongolia	**352,475**	225,804
Japan	**102,742**	806,783
Germany	**96**	223,968
Vietnam	**–**	859,353
Others	**431,984**	448,316
	34,414,254	41,183,601

Management Discussion and Analysis of Financial Conditions and Operating Results

In 2022, the sales from our top five customers accounted for 38.72% of our total sales, whereas the same ratio was 41.69% in 2021. These customers comprise not only large-scale, state-owned steel groups in China, but also other main global players in commodities and steel industry.

Supply Chain Trading

In 2022, our supply chain trading business sector recorded revenue of HK$30,610 million, representing approximately 88.95% 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 and coke.

As compared to the great year of coking coal industry in 2021, 2022 was an extremely tough and challenging year. The Company has risen to challenges, and through continuously implementing the "global expansion strategy" and the sales strategy of "rolling sales", strictly controlling internal risks, and relying on global procurement resources, it achieved an aggregate sales volume of 11.35 million tonnes of coal, and also a sales volume of approximately 4.18 million tonnes (excluded from supply chain trading volume statistics) of Mongolian coal through our joint venture, Xianghui Energy. While grasping advantages of global distribution channels of coking coal resources, the Company has improved customer service capability and customer loyalty to strengthen market share, and to create a one-stop coking coal procurement platform.

Integrated Supply Chain Services

It is worth noting the Company's long-term investment in the logistic infrastructure at the Sino-Mongolia border was finally paid off in 2022.

In 2022, sales generated from integrated supply chain services was HK$3,757 million, representing a dramatic increase of 282.59% compared to approximately HK$982 million in 2021. Revenue generated from this business segment representing approximately 10.92% of the total revenue, a 8.54% increase compared to 2.38% in 2021. This was mainly due to the following factors:

i) the active promotion of the Chinese and Mongolian governments and the effective implementation of the pandemic prevention and control policies of the two countries, the customs clearance at the ports were increased and the volume of supply chain logistics business increased;

Management Discussion and Analysis of Financial Conditions and Operating Results

ii) the Automated Guided Vehicle (AGV) unmanned cross-border transportation vehicle implemented by the Company in the Sino-Mongolia Gants Mod Port had been officially operating in July 2022, and the Ceke Port and Erlianhot Port had also entered the trial operation and testing, which greatly improves the efficiency of customs clearance and transportation capacity;

iii) the Company's continuous investment in logistics infrastructure (including major land customs clearance ports in China and Mongolia such as Gants Mod Port, Ceke Port and Erlianhot Port) in strategic areas at Sino-Mongolia land ports has enabled us to have irreproducible logistic services capabilities between China and Mongolia, as well as the warehousing and railway and automobile transportation distribution capabilities between paired port parks. In addition, we are able to allocate the sales capacity of the coking coal trading team to serve the downstream steel customer cluster for a long time and stably.

Business Prospects

In the future, the Company will continue focus on commodities trading business and integrated supply chain services business, with the strategy of "specialisation, internationalisation and digitalisation", to strength the advantages and highlights of the Company. In particular, in respect of strategy of land ports along China's borders, the Company will closely follow the development of Mongolia in terms of resources and transportation capacity, and in due course, leveraging on the internal funding and external financing resources, it will carry out the development and construction of new ports, as well as investment in the supporting supply chain in the PRC, to further expand our leading position in the supply chain business at land ports.

Management Discussion and Analysis of Financial Conditions and Operating Results

2. Cost of Sales and Procurement

The Group recorded cost of sales of HK$31,216 million in 2022, representing a decrease of 11.69% compared to HK$35,350 million in 2021, which was mainly due to decreased procurement volume. In 2022, the procurement volume was approximately 11.77 million tonnes compared to procurement volume of approximately 18.12 million tonnes in 2021, representing a 35.04% decrease.

The below table lists our procurement details for different types of commodities. 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.

	2022		2021	
Procurement	**Procurement volume '000 tonnes**	**Procurement amounts HK$'000**	Procurement volume '000 tonnes	Procurement amounts HK$'000
Coal	**10,782**	**23,079,525**	16,950	31,576,509
Oil and petrochemical products	**374**	**3,106,771**	423	2,961,928
Iron ore	**600**	**500,708**	711	908,256
Coke	**14**	**41,618**	32	107,174
Others	**–**	**–**	2	51,059
	11,769	**26,728,622**	18,118	35,604,926

In 2022, the total procurement amount was HK$26,729 million, of which the top five suppliers accounted for 30.81%. No Director or their close associates (as defined under the Listing Rules), or Shareholders owning more than 5% of the issued Shares, has any interest in suppliers.

3. Operating Gross Profit

The Group recorded an operating gross profit of HK$3,090 million in 2022, representing a decrease of 45.59% compared to an operating gross profit of HK$5,679 million recorded in 2021. The decrease in operating gross profit was mainly due to the decreased operating gross profit generated from coal. The operating gross profit margin was 8.98% in 2022. Compared with the operating gross profit margin of 13.79% under extraordinary market conditions in 2021, it is still at a relative high level compared with the operating gross profit margin from 2018 to 2020, which were 4.33%, 3.21% and 6.31%, respectively.

Management Discussion and Analysis of Financial Conditions and Operating Results

4. Administrative Expenses

The Group recorded administrative expenses of HK$947 million in 2022, representing a decrease of 36.36% compared to HK$1,488 million of administrative expenses incurred in 2021. This was mainly due to the decrease in the accrued bonus in 2022 caused by a decrease in trading profit. 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.

	2022	2021
	HK$'000	HK$'000
Staff costs	**637,401**	1,235,104
Impairment losses on trade and other receivables	**56,395**	12,817
Others	**253,485**	240,150
	947,281	1,488,071

5. Other Operating Income/(Expenses), Net

	2022	2021
	HK$'000	HK$'000
(Loss) on disposal of property, plant and equipment, net	**2,038**	(4,972)
Net realised and unrealised gain/(loss) on derivative financial instruments	**(81,260)**	175,950
Others	**(3,047)**	(10,624)
	(82,269)	160,354

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 2022 and 2021. In 2022, the net other operating expensed of HK$82 million were mainly due to a loss of HK$83 million on futures, where the Company used futures derivatives to hedge and reduce exposure to market price fluctuation.

Management Discussion and Analysis of Financial Conditions and Operating Results

6. Net Finance Costs

The Group recorded net finance costs of HK$217 million in total in 2022, compared to net finance costs of HK$200 million in 2021. Finance income increased by 52.17% compared with 2021, finance costs increased by 13.51% compared with 2021. The net finance costs increased by 8.50%. The slight increase was mainly because of the foreign exchange losses as a result of exchange rate fluctuations and fair value adjustments from exercise of warrants. Net finance costs did not change materially year-on-year.

	2022 **HK$'000**	2021 HK$'000
Interest income on financial assets measured at amortised cost	**(34,733)**	(22,681)
Finance income	**(34,733)**	(22,681)
Interest on secured bank loans	**24,503**	39,281
Interest on other interest-bearing borrowings	**20,688**	27,153
Interest on discounted bills receivables	**33,066**	40,804
Interest on lease liabilities	**24,929**	19,120
Total interest expense	**103,186**	126,358
Bank and other charges	**14,340**	24,807
Changes in fair value on warrants	**8,782**	62,763
Foreign exchange loss, net	**125,458**	8,265
Finance costs	**251,766**	222,193
Net finance costs	**217,033**	199,512

7. Profit attributable to Equity Shareholders and Earnings per Share

The profit attributable to equity Shareholders was HK$1,666 million in 2022, compared to profit attributable to equity shareholders of the Company of HK$3,462 million in 2021. For details of reasons for such decrease, please refer to section "Revenue Overview" in this annual report.

Both basic and diluted earnings per share were HK$0.594 in 2022, in comparison, basic and diluted earnings per share for 2021 were HK$1.151 and HK$1.128, respectively.

Management Discussion and Analysis of Financial Conditions and Operating Results

8. 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.

In 2022, with the increase of vehicle utilization, the Company re-evaluated the value of the vehicle. According to the evaluation result, the Company recorded impairment reversals of HK $46 million to certain of the Company's vehicles in 2022.

In addition, an impairment loss of HK$16 million for a land use right has been charged to the consolidated statement of profit or loss during the year ended 31 December 2022 on the basis that one land of the Group in Mongolia was suspended and currently had no development plan.

9. Interest in an Associate

Xianghui Energy commenced operation in October 2019 and is mainly engaged in trading Mongolian coal in the PRC. Xianghui Energy recorded revenue of HK$11,065 million and net profit of HK$276 million during 2022.

Management Discussion and Analysis of Financial Conditions and Operating Results

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

Gross amounts of the associate	2022 HK$'000	2021 HK$'000
Current assets	4,282,231	4,030,300
Non-current assets	13,561	7,444
Current liabilities	1,743,791	1,397,831
Non-current liabilities	1,063	–
Equity	2,550,938	2,639,913
Revenue	11,065,051	6,783,055
Profit for the year	276,304	229,146
Other comprehensive income	(167,907)	17,365
Total comprehensive income	108,397	246,511
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	2,550,938	2,639,913
Group's effective interest	49%	49%
Group's share of net assets of the associate	1,249,960	1,293,557

On 3 October 2022, the Company acquired 30% equity interest in TTJV from one of the shareholders of TTJV for the consideration of USD24 million. TTJV commenced operation in March 2012. The investment in TTJV enables the Group to extend to the upstream of the integrated supply chain services. TTJV recorded revenue of HK$108 million and net profit of HK$6 million during 2022.

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

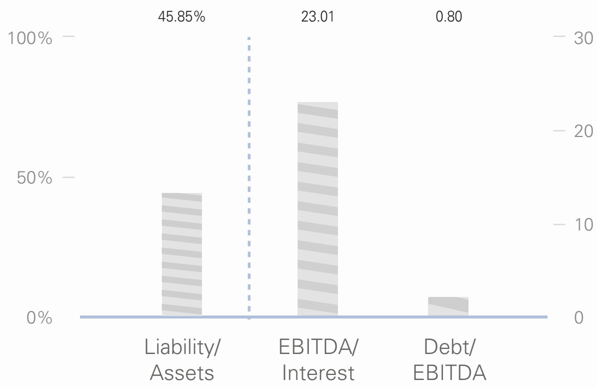
Gross amounts of the associate	2022 HK$'000
Current assets	264,614
Non-current assets	416,762
Current liabilities	105,605
Non-current liabilities	–
Equity	575,771
Revenue	108,435
Profit for the year	5,987
Other comprehensive income	(54,903)
Total comprehensive income	(48,916)
Reconciled to the Group's interest in the associate	
Gross amounts of net assets of the associate	575,771
Group's effective interest	30%
Group's share of net assets of the associate	172,731

Management Discussion and Analysis of Financial Conditions and Operating Results

10. Indebtedness and Liquidity

The total amount of bank loans owed by the Group at the end of 2022 was HK$968 million. Interest rates on these loans range from 1.40% to 8.90% per annum, whereas the range in 2021 was from 0.70% to 11.35%. The Group's gearing ratio at the end of 2022 was 45.85%, which was a decrease compared to 51.60% at the end of 2021. The Group calculates the gearing ratio on the basis of total liabilities divided by total assets.

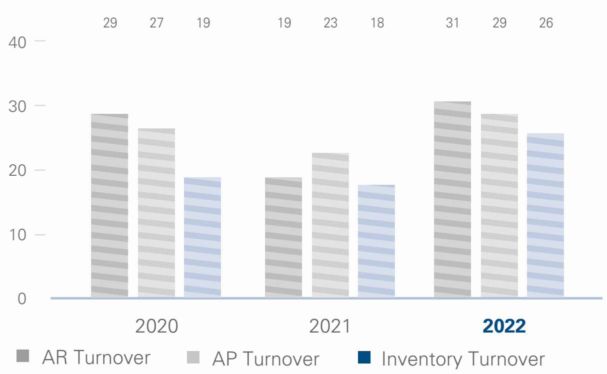
Indebtedness and Liquidity



11. Working Capital

Our accounts receivable turnover days, accounts payable turnover days, and inventory turnover days were 31 days, 29 days, and 26 days, respectively, in 2022. As a result, the overall cash conversion cycle was approximately 28 days in 2022, which was 14 days longer than the Group's cash conversion cycle in 2021.

Working Capital



Management Discussion and Analysis of Financial Conditions and Operating Results

12. Pledge of Assets

At 31 December 2022, bank loans amounting to HK$130,758,000 (31 December 2021: HK$124,756,000) had been secured by credit guarantee with a guarantee amount of HK$130,758,000 (31 December 2021: HK$124,756,000) provided by subsidiaries of the Group.

At 31 December 2022, bank loans amounting to HK$295,105,000 (31 December 2021: HK$218,271,000) together with bills payable amounting to HK$110,213,000 (31 December 2021: HK$183,225,000) had been secured by restricted bank deposits with an aggregate carrying value of HK$22,439,000 (31 December 2021: HK$91,613,000), property, plant and equipment with an aggregate carrying value of HK$338,514,000 (31 December 2021: HK$230,140,000), and land use rights with an aggregate carrying value of HK$142,822,000 (31 December 2021: HK$255,503,000).

At 31 December 2022, bank loans amounting to HK$472,429,000 (31 December 2021: HK$931,063,000) had been secured by bills receivable with an aggregate carrying value of HK$472,429,000 (31 December 2021: HK$927,112,000) and restricted bank deposits with an aggregate carrying value of HK$nil (31 December 2021: HK$5,451,000).

At 31 December 2022, bank loans amounting to HK$69,384,000 (31 December 2021: HK$93,570,000) had been secured by restricted bank deposits with an aggregate carrying value of HK$72,353,000 (31 December 2021: HK$99,201,000).

At 31 December 2022, bills payable amounting to HK$921,595,000 (31 December 2021: HK$653,086,000) had been secured by restricted bank deposits with an aggregate carrying value of HK$574,728,000 (31 December 2021: HK$377,012,000), bills receivable with an aggregate carrying value of HK$259,401,000 (31 December 2021: HK$282,244,000) and accounts receivable with an aggregate carrying value of HK$173,746,000 (31 December 2021: HK$nil).

At 31 December 2022, lease liabilities amounting to HK$180,712,000 (31 December 2021: HK$24,336,000) have been secured by property, plant and equipment with an aggregate carrying value of HK$97,597,000 (31 December 2021: HK$51,863,000), land use rights with an aggregate carrying value of HK$38,243,000 (31 December 2021: HK$25,477,000).

13. Cash Flow

In 2022, our operating cash inflow was HK$2,172 million compared to HK$2,758 million cash inflow during 2021. The net cash inflow from operating activities was mainly contributed from net cash inflow of cash profit of HK$2,419 million.

In 2022, the Group paid a cash outflow from investing activities of HK$752 million compared to HK$456 million cash outflow during 2021. The net cash outflow was mainly due to investment in logistics assets and ancillary facility of approximately HK$633 million.

Management Discussion and Analysis of Financial Conditions and Operating Results

In 2022, the Group had a cash outflow from financing activities of HK$2,112 million compared to HK$153 million cash inflow during 2021. The cash outflow from financing activities was mainly attributable to cash outflow of dividend in the amount of approximately HK$1,059 million, share repurchases in the amount of approximately HK$326 million and lease asset repayments in the amount of approximately HK$204 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:

	2022[(1)] HK$'000	Adjustments HK$'000	Adjusted 2022[(2)] HK$'000
Cash and cash equivalents at 1 January	**3,259,393**		**3,259,393**
Net cash generated from operating activities	**2,172,193**	**(620,697)**	**1,551,496**
Net cash (used in)/generated from investing activities	**(752,482)**	**166,015***	**(586,467)**
Net cash (used in)/generated from financing activities	**(2,111,708)**	**454,682****	**(1,657,026)**
Effect of foreign exchange rate changes	**(296,430)**		**(296,430)**
Cash and cash equivalents at 31 December	**2,270,966**		**2,270,966**

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

Management Discussion and Analysis of Financial Conditions and Operating Results

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 2022, 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 US dollars and 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 the Company 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 the Company, 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.

Management Discussion and Analysis of Financial Conditions and Operating Results

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 63.07% of the Group's revenue in 2022 was denominated in RMB. Over 53.78% 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.

Management Discussion and Analysis of Financial Conditions and Operating Results

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 2022, 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 2022, there were 1,844 full-time employees in the Group (excluding 756 dispatch staff from domestic subsidiaries). The breakdown of employee categories is as follows:

	2022		2021	
Functions	**No. of Employees**	**Percentage**	No. of Employees	Percentage
Management, Administration & Finance	**175**	**10%**	120	7%
Front-line Production & Production Support & Maintenance	**64**	**3%**	48	3%
Sales & Marketing	**142**	**8%**	95	5%
Others (incl. Projects and Transportation)	**237**	**13%**	197	11%
Cargo Truck Drivers (Mongolia)	**1,226**	**66%**	1,289	74%
Total	**1,844**	**100%**	1,749	100%

Management Discussion and Analysis of Financial Conditions and Operating Results

2. Employee Education Overview

Qualifications	2022 No. of Employees	2022 Percentage	2021 No. of Employees	2021 Percentage
Master & above	**55**	**3%**	49	3%
Bachelor	**356**	**19%**	231	13%
Diploma	**71**	**4%**	50	3%
High-School, Technical School & below	**1,362**	**74%**	1,419	81%
Total	**1,844**	**100%**	1,749	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 2022, the Company held various training programs totaling 271 hours, and over 3,513 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

Training Courses	2022 No. of hours	2022 No. of participants	2021 No. of hours	2021 No. of participants
Safety	**76**	**1,995**	54	1,010
Management & Leadership	**116**	**905**	445	451
Operation Excellence	**79**	**613**	30	86
Total	**271**	**3,513**	529	1,547

Management Discussion and Analysis of Financial Conditions and Operating Results

4. Pension Scheme

With respect to employees in Hong Kong and Singapore, the Group operates the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees in Hong Kong, and participates in the Central Provident Fund (CPF) Scheme (CPF Act 1953) for the employees in Singapore. The MPF Scheme is a defined contribution retirement plan administered by independent trustees, and The CPF is a mandatory social security savings scheme funded by contributions from employers and employees in Singapore, pursuant to which, (i) for the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the respective employee's relevant income, subject to a cap of monthly relevant income of HK$30,000; and (ii) working Singaporeans and permanent residents will be covered for the CPF scheme and the employer's CPF contribution is 17% of gross salary, subject to CPF contribution ceiling capped at SG$6,000. Contributions to both the MPF Scheme and CPF Scheme vest immediately. The Group made contributions of approximately HK$256,821 to the MPF Scheme in 2022 (2021: HK$246,476), and of approximately HK$875,274 to the CPF Scheme in 2022 (2021: HK$790,068).

Pursuant to the relevant labour laws, rules and regulations in the PRC, the Group participates in a defined contribution retirement benefit scheme (the "Retirement Benefit Scheme") organised by the relevant local government authorities in the PRC. The Group was required to make specified contributions to the basic pension insurance, limited to a maximum rate of 16% of the employees' basic salaries subject to certain ceiling as stipulated by the relevant local governments in the PRC for the year ended 31 December 2022 (2021: 16%), and the employee was required to make contributions to the basic pension insurance in proportion to his/her salary as stipulated by the relevant local governments. After the employee reaches the statutory retirement age, he or she will receive a basic pension on a monthly basis. In 2022, the basic pension insurance premium paid by the Group amounted to approximately HK$10,251,369 (2021: HK$8,087,134). There was no forfeited contribution under the MPF Scheme, CPF Scheme and Retirement Benefit Scheme which may be used by the Group to reduce the contribution payable in the future years. In 2022, the Group did not have any defined benefit plan.

Management Discussion and Analysis of Financial Conditions and Operating Results

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 2022.

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 2022 report on ESG matters. 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 2022 ESG report of the Company.

VII. FINAL DIVIDENDS

A final dividend in cash of HK$0.084 per share, totalling approximately HK$241 million, has been declared for the year ended 31 December 2022. 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 8 September 2023. The dates for closure of register of members of the Company for ascertaining shareholders' entitlement to the final dividend will be further announced.

VIII. OTHER INFORMATION AND SUBSEQUENT TO THE REPORTING DATE

Adoption of the 2022 RSU Scheme

On 6 January 2022, the Board approved the adoption of 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.

Management Discussion and Analysis of Financial Conditions and Operating Results

Pursuant to the Trust Deed entered into between the Company and Computershare Hong Kong Trustee Limited, 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. 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. For further details of the 2022 RSU Share, please refer to the section headed ''SHARE-BASED INCENTIVE PLAN'' of the Report of the Directors in this annual report.

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 were exercised by the Warrantholder in accordance with the Warrants Instrument and a total number of 118,060,606 Warrant Shares were issued on 21 February 2022. The initial Warrant Subscription Price was HK$0.99 per Warrant Share 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 average closing prices of the Shares during the period from the date of issuance of the Warrants (i.e. 14 September 2017) to the date of the exercise of Warrants (i.e. 21 February 2022) are as follows:

Period	**Average closing price per Share** HK$
14 September 2017 to 31 December 2017	0.754
2018	0.600
2019	0.426
2020	0.246
2021	0.567
1 January 2022 to 21 February 2022	1.234
14 September 2017 to 21 February 2022	0.503

Management Discussion and Analysis of Financial Conditions and Operating Results

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. All of the net proceeds were utilized for daily liquidity and business development of the Company in accordance with the terms and conditions of the Warrant Instrument during the year ended 31 December 2022.

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.

Profile of Directors and Senior Management

I. EXECUTIVE DIRECTORS: MS. CAO XINYI, MR. WANG YAXU, MS. DI JINGMIN, MR. ZHAO WEI

Ms. Cao Xinyi (曹欣怡), aged 40, is currently an executive Director, the chairman of the Board and chief executive officer of the Company. Ms. Cao joined the Company in 2009. She has extensive experience in the corporate strategy, business management, capital operation and corporate governance, and she has been successively responsible for the office of the Board, financial management, business operation and overall management of the Group since joining the Company, and possesses deep understanding and practice in commodities trading, logistics and finance. Before joining the Company in 2009, Ms. Cao worked at PricewaterhouseCoopers from 2005 to 2009. Ms. Cao serves as director and/or general manager of several subsidiaries of the Company. She graduated from City University of Hong Kong with a bachelor's degree in Business Administration in 2005. Ms. Cao is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Wang Yaxu (王雅旭), aged 51, is currently an executive Director and senior vice president of the Company. Mr. Wang Yaxu joined the Group in 1995, then became an employee of the Company in 2007 upon the Company's establishment. He was responsible for overall business of the Group's Mongolian coal businesses such as procurement, sales, logistics and washing and processing. He is currently responsible for business development of domestic coal, washing and processing of coal of the Company. He also serves as director and/or general manager of several subsidiaries of the Company. Mr. Wang obtained a bachelor's degree in industrial management and engineering from Beijing University of Chemical Technology, and graduated with an EMBA degree from Beijing Jiaotong University in 2011.

Ms. Di Jingmin (邸京敏), aged 51, is currently an executive Director and a senior vice president of the Company. Ms. Di joined the Winsway Group in 1995 and is currently responsible of comprehensive management of the Company such as asset management, legal, human resources and procurement of materials, and possesses rich experience in investment management and other enterprise comprehensive management. She also serves as director and/or general manager of certain subsidiaries of the Company. Ms. Di graduated from Beijing University of Chemical Technology with a bachelor's degree in management engineering in 1995 and subsequently obtained a Master of Laws degree from the Chinese Academy of Social Sciences in 2009.

Mr. Zhao Wei (趙偉), aged 52, is currently an executive Director and a vice president of the Company. Mr. Zhao joined the Group in 2016 and was appointed as the vice president of the Company in January 2021, and is currently responsible for the domestic warehousing and transportation (including railway, trucks and AGV transportation) in relation to import of Mongolian coal. Mr. Zhao also serves as a director and general manager of Inner Mongolia E35. Inner Mongolia E-35 and its subsidiaries are mainly engaged in the commodity logistics business of the Group. Mr. Zhao also serves as director and/or general manager of certain subsidiaries of the Company. Prior to joining the Group, Mr. Zhao served as, among others, assistant engineer, engineer, manager of business development department and general manager of Jinan Railway Bureau* (濟南鐵路局), Han Ji Railway Co., Ltd.* (邯濟鐵路有限責任公司) and Qingdao Bao Han Transportation and Trading Co., Ltd.* (青島寶邯運輸貿易有限公司) during the period from 1992 to 2009; and held positions in Lung Ming Mining Co., Ltd. during the period from 2009 to 2016, which were mainly responsible for the construction and improvement and operation management of mining railways, as well as the domestic circulation and sales of iron ore. Mr. Zhao has over 30 years of experience in logistics management and corporate operations. Mr. Zhao graduated from Lanzhou Jiaotong University in 1992 with a bachelor's degree in engineering.

Profile of Directors and Senior Management

II. NON-EXECUTIVE DIRECTOR: MR. GUO LISHENG

Mr. Guo Lisheng (郭力生), aged 58, is currently a non-executive Director. He is also a director and the chairman of Minmetals South-East Asia Corporation Pte. Ltd.. From 1993, he was the general manager of China Gulf Building Material Co., Ltd., a director and deputy general manager of Minmetals (U.K.) Ltd., a deputy general manager of Minmetals Steel Co., Ltd., the executive vice president of Minmetals Inc., a deputy general manager of the mineral resources department of China Minmetals Corporation and a deputy general manager of Minmetals Exploration & Development Co., Ltd. and the president of China Metais E Minerais (Brasil) Ltd.. Mr. Guo graduated from Xiamen University with a bachelor's degree in Economics specializing in international trade in 1984, and became a Senior International Business Engineer in 2002.

III. INDEPENDENT NON-EXECUTIVE DIRECTORS: MR. NG YUK KEUNG, MR. WANG WENFU, MR. GAO ZHIKAI

Mr. Ng Yuk Keung (吳育強), aged 58, is currently an independent non-executive Director. Mr. Ng worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From 2001 to 2003, Mr. Ng was the Chief Financial Officer of the International School of Beijing- Shunyi, an academic institution in Beijing, China. He subsequently joined Australian Business Lawyers, a law firm in Australia in 2003 and was later appointed as a consultant in 2004 responsible for advising on accounting matters. From 2004 to 2006, he was the deputy chief financial officer, a joint company secretary and the qualified accountant of Irico Group Electronics Company Limited (stock code: 0438), a company listed on the Hong Kong Stock Exchange. From 2006 to 2010, Mr. Ng was a vice-president, the chief financial officer, the company secretary and the qualified accountant of China Huiyuan Juice Group Limited. From 2010 to 2012, Mr. Ng was an executive director and the chief financial officer of China NT Pharma Group Company Limited (Stock Code: 1011), a company listed on the Hong Kong Stock Exchange. From February 2007 to October 2011, Mr. Ng was the independent non-executive director of Xinjiang Xinxin Mining Industry Co., Ltd. (Stock Code: 3833), a company listed on the Hong Kong Stock Exchange. From March 2013 to May 2022, Mr. Ng was an executive director and the chief financial officer of Kingsoft Corporation Limited (Stock Code: 3888),a company listed on the Hong Kong Stock Limited. Mr. Ng is currently an independent non-executive director of Sany Heavy Equipment International Holdings Company Limited (Stock Code: 631). Mr. Ng graduated from The University of Hong Kong with a bachelor's degree in Social Sciences in 1988 and a master's degree in Global Business Management and E-commerce in 2002. He is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

Mr. Wang Wenfu (王文福), aged 56, is currently an independent non-executive Director. Mr. Wang has extensive experience in the mining industry, with international business development, cross-border mergers and acquisitions, business network establishment, international trading and enterprises management experience. From April 2021 to July 2022, Mr. Wang was the managing director of Phu Bla Mining (Laos). Before Mr. Wang joined our Group as an independent non-executive Director in 2010, he worked for Aluminum Corporation of China Ltd. ("**CHALCO**") (Stock Code: 2600), a company listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange and the New York Stock Exchange since 2004, and was mainly responsible for the development of CHALCO's overseas business, cross border

Profile of Directors and Senior Management

mergers and acquisitions, foreign investment and risk management. He also acted as the President of Chinalco Overseas Holding Ltd., Director and President of Chalco Hong Kong Ltd., Chairman of Chalco Australia Pty. Ltd. and Chief Representative of CHALCO's operations in Vietnam and Indonesia. Mr. Wang graduated from the Department of Linguistics of Kunming University of Science and Technology in 1987. He also obtained a Master of Business Administration degree from Monash University in 1995 and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia in 2002.

Mr. Gao Zhikai (高志凱), aged 61, is currently an independent non-executive Director. Mr. Gao is the independent non-executive Director of Modern Land (China) Co., Ltd (Stock Code: 1107) from November 2020 to present. Mr. Gao is currently the chairman of China Energy Security Institute, a vice president of Center for China and Globalization. Mr. Gao is also a current affairs commentator with CCTV News and appears regularly on BBC, CNN, Channel News Asia, Al Jazeera, NHK, RT, and other major news media. Mr. Gao has extensive work experience in diplomacy, legal, securities regulation, investment bank, equity investment, corporate management and charity. Mr. Gao was an interpreter for Mr. Deng Xiaoping and other Chinese leaders in the 1980s and worked in the Ministry of Foreign Affairs of the People's Republic of China. He also worked in the Secretariat of the United Nations and the Hong Kong Securities and Futures Commission. Mr. Gao has held senior positions in Morgan Stanley, China International Capital Corporation and Daiwa Securities. He has also held senior corporate positions in PCCW, Henderson Group and CNOOC Limited. Mr. Gao obtained a Juris Doctor degree from Yale Law School and a master's degree in Political Science from Yale Graduate School, a master's degree in English Literature from Beijing University of Foreign Studies, and a bachelor's degree in English Literature from Suzhou University. Mr. Gao is a licensed attorney-at-law in the State of New York, USA.

IV. SENIOR MANAGEMENT:

Ms. Zhu Hongchan (朱紅嬋), aged 48, is currently a senior vice president of our Company. She joined Winsway Group in 1995 and is currently responsible for the management of seaborne coal trading. Ms. Zhu is currently a director of E-Commodities Holdings Private Limited. Ms. Zhu graduated from Beijing University of Chemical Technology in 1995 with a bachelor's degree in Management Engineering and an EMBA degree from Beijing Jiaotong University in 2011.

Ms. Ren Haiyan (任海燕), aged 39, is currently the chief financial officer of the Company. She joined the Group in 2009 and is currently responsible for the financial management of the Group. Ms. Ren has over 13 years of extensive experience in the financial management of the Group. She also serves as director of certain subsidiaries of the Company. Ms. Ren graduated from the University of Science and Technology Beijing in 2009 with a master's degree in management. She is a nonpracticing member of the Chinese Institute of Certified Public Accountants and a non-practicing (registered) tax accountant of the China Certified Tax Agents Association.

Profile of Directors and Senior Management

Ms. Zhu Jinzhu (朱金珠), aged 39, is currently a vice president of our Company. She joined Winsway Group in 2004 and was appointed as the Company's vice president in January 2021. She is currently responsible for coal relating procurement, transportation, management platform, project cooperation and cross-border transport at Sino-Mongolia ports. Ms. Zhu has more than 15 years of extensive experience in Mongolian coal procurement cooperation and cross-border logistics management. Ms. Zhu also serves as director and/or general manager of certain subsidiaries of the Company. Ms. Zhu graduated from University of Science and Technology Beijing in 2004 with a bachelor's degree in Engineering and an EMBA degree from Beijing Jiaotong University in 2014.

Ms. Zhong Fei (仲非), aged 52, is currently a vice president of the Company. She joined the Group in 2010 and is currently responsible for the Group's coking coal procurement management. Ms. Zhong Fei has extensive experience in coking coal procurement. Ms. Zhong Fei graduated from Griffith University in 2000 with a Bachelor degree of Arts in Asian and International Studies.

Ms. Liu Jinhong (劉錦紅), aged 43, is currently a vice president of the Company. She joined the Winsway Group in 2004 and is currently responsible for the Group's coking coal sales management. Ms. Liu has extensive experience in coking coal sales. Ms. Liu graduated from the University of Science and Technology Beijing in 2004 with a master's degree in management.

Mr. Wang Wei (王威), aged 39, is currently a vice president of the Company. He joined the Company in 2009 and is currently responsible for the management of projects development and construction. Mr. Wang was successively responsible for the coal washing and processing of the Group's Mongolian coal business and related infrastructure construction, operation management, and coal quality management. Mr. Wang graduated from China University of Mining and Technology in 2009 with a master's degree in engineering.

Ms. Chen Xiuzhu (陳秀珠), aged 38, is currently a vice president and the company secretary of the Company. Ms. Chen joined the Company in July 2012 and has been worked at office of the Board, involved in investors' relationship and domestic and foreign investment and financing. She has intensive experience in respect of corporate governance and capital operations. She was appointed as the vice president in March 2023 and is currently responsible for the Group's digital development and human resources. Ms. Chen is a member of The Hong Kong Chartered Governance Institute. She received a bachelor's degree in arts from China University of Political Science and Law in September 2006, a master's degree in business administration from Beijing Normal University Business School in June 2014 and a master's degree in corporate governance from the Open University of Hong Kong in August 2019.

V. COMPANY SECRETARY:

Ms. Chen Xiuzhu (陳秀珠), Please refer to the above profile.

Corporate Governance Report

The Board is committed to upholding a high standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and furthering Shareholders' interests. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfil its commitment to excellence in corporate governance.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company for the year ended 31 December 2022.

CORPORATE PURPOSE, CULTURE AND STRATEGY

The mission of the Group is to "make commodity business easier". Leveraging on its rich experience in commodities trading management and well-established logistic infrastructures, the Group is able to provide comprehensive services across the value chain of commodities trading with high efficiency to satisfy the demands of its customers.

The Group is committed to developing "Simplicity, Efficiency and Dedication" corporate culture to achieve its mission and purpose. The Group is led by a young and motivated management and implements a comprehensive career development system with competitive remuneration and benefits designed to attract, motivate and retain talented people at all levels. The Group believes that its corporate culture enhance its employees sense of belonging and responsibility that enables the Group to deliver long-term sustainable growth and success.

The Board assumes responsibility for establishing the Group's strategy to align with its mission and corporate culture, upon which the Group would generate value in the long run. For the year ended 31 December 2022, the Group continued to expand and adopted innovative business model to establish omni-channels of marketing, accumulate resources and explore opportunities. Please refer to the Chairman Statement and Management Discussion and Analysis of Financial Conditions and Operating Results on pages 2 to 25 of this annual report.

CORPORATE GOVERNANCE

The Board has adopted the CG Code set out in Appendix 14 of the Listing Rules as its own set of corporate governance guidelines, with the additional requirement of at least 7 days' prior notice for Board meetings other than regular Board meetings (for which at least 14 days' notice is required) to give all Directors greater opportunity to attend.

Throughout the year ended 31 December 2022, the Board believes that the Company complied with the code provisions (the "**Code Provisions**") under the CG Code, except for the deviation from the Code Provision C.2.1 which requires that the roles of chairman and chief executive officer be separate and not performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below. Ms. Cao Xinyi is the chairman of the Board (the "**Chairman**") and also serves as the chief executive officer of the Company (the "**CEO**"). 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.

Corporate Governance Report

Cao Xinyi can provide the Group with consistent leadership, facilitate the execution of the Group's business strategies and boost effectiveness of its operations. In addition, under the supervision of the Board (which consists of 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors) and Board committees (only 2 executive Directors served on the Board committees and other members of which are all independent non-executive Directors), the Board is appropriately structured with a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders as a whole. Therefore, the Board considers that the deviation from the Code Provision C.2.1 is appropriate in such circumstances.

Except for the deviation mentioned above from the CG Code, the Board believes that the Company fully complied with all the Code Provisions throughout the year ended 31 December 2022 with which listed issuers are expected to comply with.

THE BOARD

The Board is the principal decision-making body of the Company. The powers, functions and duties of the Board include convening general meetings and reporting the Board's work at general meetings, implementing resolutions passed at general meetings, determining the Company's business plans and investment plans, formulating the annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles. The Board has given clear directions to the senior management as to the matters that must be approved by the Board before decisions are made on behalf of the Company.

The Board consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The Board considers that it has maintained a balanced composition of executive directors and non-executive directors (including independent non-executive directors). The non-executive Director and three independent non-executive Directors actively participate in the formulation of the Company's policies and seek to represent the interests of the Shareholders as a whole. During the year ended 31 December 2022 and up to the date of this report, the composition of the Board is as follows:

Executive Directors

Ms. Cao Xinyi (Chairman)
Mr. Wang Yaxu
Ms. Di Jingmin
Mr. Zhao Wei

Non-executive Director

Mr. Guo Lisheng

Corporate Governance Report

Independent non-executive Directors

Mr. Ng Yuk Keung
Mr. Wang Wenfu
Mr. Gao Zhikai

During the year ended 31 December 2022, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, the number of which must represent at least one-third of its Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Biographical details of the Directors and senior management of the Company are set out in the section headed "Profile of Directors and Senior Management" on pages 26 to 29 of this annual report.

The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Company's business. There was no material financial, business, family or other relevant relationship among members of the Board.

For the year ended 31 December 2022, four full board meetings and one general meeting were held. The following is the attendance record of the board meetings held by the Board during 2022:

Name of Director	Attendance/ Number of general meetings held	Attendance/ Number of board meetings held
Executive Directors		
Cao Xinyi (Chairman)	1/1	4/4
Wang Yaxu	0/1	4/4
Di Jingmin	1/1	4/4
Zhao Wei	0/1	4/4
Non-executive Director		
Guo Lisheng	0/1	4/4
Independent non-executive Directors		
Ng Yuk Keung	0/1	4/4
Wang Wenfu	0/1	4/4
Gao Zhikai	0/1	4/4

Corporate Governance Report

Sufficient notice convening the Board meetings was given to the Directors setting out the matters to be discussed. All Directors were given an opportunity to include matters in the agenda for the Board meetings and have access to the company secretary to ensure that all Board procedures and applicable rules and regulations were followed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary is responsible for keeping minutes for the Board meetings.

Each of executive Directors and non-executive Director has entered into a service contract with the Company for a term of three years. Each of independent non-executive Directors was appointed for a term of three years under the relevant appointment letter. They are all subject to retirement from office by rotation and re-election in accordance with the Articles of Association. On 31 January 2022, the Company entered into a supplemental appointment letter with each of the independent non-executive Directors, pursuant to which the Company agreed to increase the cash remuneration of each of Mr. Ng Yuk Keung, Mr. Wang Wenfu and Mr. Gao Zhikai to US$200,000 per annum for the period commencing from 1 January 2021 or the date of the existing appointment letter (as the case may be) and ending on the expiration of the relevant existing appointment letters. Save and except for the above, other terms and conditions of the existing appointment letter of each independent non-executive Director remained unchanged.

To ensure that independent views and input are available to the Board, the Board strictly complies with the Listing Rules, CG Code and nomination policy to assess and ensure the independence of the independent non-executive Directors. Each committee of the Board is authorised to engage external legal, financial or other independent professional advisers or other persons to enable it to discharge its duties as it considers necessary. For the year ended 31 December 2022, the aforesaid mechanisms were implemented effectively.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the CEO, Ms. Cao Xinyi, has executive responsibilities, provides leadership to the Board in terms of establishing policies and business direction and oversees the day-to-day management of the Group's business. She ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. She also ensures that all Directors are properly briefed on issues to be discussed at board meetings.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, law, banking and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

The participation of the independent non-executive Directors in the Board brings independent judgment on the issues relating to the Group's strategy, conflicts of interest, connected transactions and management process in order to ensure that the interests of all Shareholders have been duly considered.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all the Directors, each Director confirmed that he/she has complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

According to the Articles, at each annual general meeting one-third of the Directors are subject to retirement by rotation or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. Every Director shall be subject to retirement at an annual general meeting at least once every three years. Any other appointment, resignation, removal or re-designation of Director will be disclosed in a timely manner to the Shareholders by way of announcement and shall include in such announcement the reasons given by the Director for his/her resignation.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C4 of Part 2 of the CG Code on 7 September 2010 and revised the written terms of reference on 26 March 2012, 31 December 2015 and 27 December 2018. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system of the Group, overseeing the audit process and acting as the key representative body for overseeing the Group's relations with the external auditor and performing other duties and responsibilities as assigned by the Board from time to time. The audit committee currently comprises the three independent non-executive Directors, Mr. Ng Yuk Keung (Chairman), Mr. Wang Wenfu and Mr. Gao Zhikai.

For the year ended 31 December 2022, the audit committee held 2 meetings, at which members of the audit committee reviewed and discussed with the external auditors and the management of the Group's interim financial results and reports in respect of the first half year of 2022, and the annual financial results and reports in respect of the year ended 31 December 2021, and are of the opinion that such financial statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure has been made.

Corporate Governance Report

The attendance records of the audit committee for the year ended 31 December 2022 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Ng Yuk Keung	2/2
Mr. Wang Wenfu	2/2
Mr. Gao Zhikai	2/2

AUDITORS' REMUNERATION

For the year ended 31 December 2022, the fees paid/payable in respect of audit and non-audit services provided by KPMG, the Group's external auditors, are set out below:

Service	Sum (HK$'000)
Audit services	7,521
Other services	20
	7,541

The audit committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

The Company provided each newly appointed Director with formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities from time to time. The Company will arrange training and professional development for Directors as and when necessary. Each of the Directors also arranged by themselves to participate in courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or reading relevant materials.

Corporate Governance Report

During the year ended 31 December 2022, the Directors confirmed that they have participated in training and continuous professional development activities and a summary is provided as follows:

Name of Director	Type of continuous professional development programmes
Executive Directors	
Ms. Cao Xinyi (Chairman)	1,2,3
Mr. Wang Yaxu	1,2,3
Ms. Di Jingmin	1,2,3
Mr. Zhao Wei	1,2,3
Non-executive Director	
Mr. Guo Lisheng	1,2,3
Independent non-executive Directors	
Mr. Ng Yuk Keung	1,2,3
Mr. Wang Wenfu	1,2,3
Mr. Gao Zhikai	1,2,3

Notes:

1. Reading materials and updates relating to the latest developments of the Listing Rules and other applicable regulatory requirements.

2. Attending seminars/training workshops offered by external professionals and/or experts.

3. Internal group discussions on updates relating to general economy, business trend, corporate governance, directors' duties and the latest development of the Listing Rules and other applicable regulatory requirements.

Corporate Governance Report

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company deploys appropriate and sufficient resources to prepare its financial statements in accordance with IFRSs. Senior management is required to present and explain the financial reporting and matters that materially affect or may have a material impact on the financial performance and operations of the Company to the audit committee and the Board and respond to the queries and concerns raised by the audit committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the financial statements include applicable disclosure required by the Listing Rules and by the Hong Kong Companies Ordinance. The reporting responsibility of the external auditors of the Company on the financial statements of the Group is set out in the independent auditor's report on pages 60 to 67 of this annual report.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 7 September 2010 with written terms of reference in compliance with the Listing Rules and CG Code. The remuneration committee currently comprises two independent non-executive Directors, namely, Mr. Wang Wenfu (chairman) and Mr. Ng Yuk Keung and one executive Director, Ms. Cao Xinyi. The primary duties of the remuneration committee are to review and formulate remuneration policies for the Directors and senior management, to make recommendations on the remuneration package of the Directors and senior management and to evaluate and make recommendations on employee benefit arrangements.

The remuneration committee held 2 meetings during the year ended 31 December 2022, at which the members of the committee reviewed the remuneration and bonus plan of the Directors and senior management with reference to their duties, responsibilities, experience, qualifications and performance. No Director took part in any discussion about his/her own remuneration.

The attendance records of the remuneration committee for the year ended 31 December 2022 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Wang Wenfu	2/2
Mr. Ng Yuk Keung	2/2
Ms. Cao Xinyi	2/2

Details of the Directors' remuneration are set out in note 9 to the financial statements.

Corporate Governance Report

NOMINATION COMMITTEE

The Company established a nomination and corporate governance committee on 7 September 2010, which was renamed as the nomination committee on 10 December 2021, with written terms of reference in compliance with the Listing Rules and the CG Code. The nomination committee comprises two independent non-executive Directors, namely, Mr. Gao Zhikai (Chairman) and Mr. Ng Yuk Keung and one executive Director, Ms. Di Jingmin. The primary function of the nomination committee is to formulate and implement the nomination policy laid down by the Board to oversee the composition, structure and evaluation of the Board and its committees and to develop, recommend to the Board and oversee the implementation of corporate governance principles and policies. The Board has adopted policy of nomination, setting out the standards and procedures for nomination and appointment of directors, to ensure the continuity of the Board and maintain its leadership, for the nomination of candidates for directorship of the Company by considering the skills, experience, professional knowledge, personal integrity and time commitment of such individuals, the Company's needs and other relevant statutory requirements and regulations.

The nomination committee held 1 meeting during the year ended 31 December 2022, at which the members of the committee reviewed and discussed the composition and structure of the Board and also evaluated the performance of the Board and its committees.

The nomination committee will review annually the structure, size and composition of the Board and where appropriate, recommend candidates to the Board before election to complement the Company's corporate strategy.

The attendance records of the nomination committee for the year ended 31 December 2022 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Gao Zhikai	1/1
Mr. Ng Yuk Keung	1/1
Ms. Di Jingmin	1/1

Corporate Governance Report

ENVIRONMENTAL AND SOCIAL AND GOVERNANCE COMMITTEE

The Company established the health, safety and environmental committee on 7 September 2010, which was renamed as the environmental and social and governance committee and the responsibilities of which were adjusted with a new set of terms of reference adopted on 10 December 2021. The environmental, social and governance committee comprises two non- executive Directors, Mr. Gao Zhikai and Mr. Wang Wenfu and one executive Director, Ms. Di Jingmin (Chairman). The primary function of the environmental, social and governance committee is to advise and assist the Board in monitoring, review and making appropriate recommendations to the Board on the best industry practices, the most recent requirements of Hong Kong market and the staff of ESG issues of the Group.

The environmental, social and governance committee held 1 meeting during the year ended 31 December 2022, at which the members of the committee reviewed and discussed ESG and the related matters of the Group.

The attendance records of the environmental, social and governance committee for the year ended 31 December 2022 are set out below:

Name of Director	Attendance/ Number of Meetings
Mr. Gao Zhikai	1/1
Mr. Wang Wenfu	1/1
Ms. Di Jingmin	1/1

INTERNAL CONTROL

The internal control system has been designed to safeguard the assets of the Group, maintain proper accounting records and to ensure execution with appropriate authority and compliance with relevant laws and regulations. The Group has an internal audit function.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management and internal control system. During the year ended 31 December 2022, the Board carried out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to minimize the risks to which the Group is exposed and used as a management tool for the day-to-day business operation. All purchase and sales contracts need to be reviewed by finance and legal departments before signing. The Group uses ERP system to track and record business invoices, and accounting entries will be generated from the system automatically. During execution, revenue and cost data are regularly being collected and examined with each business department to ensure the truthfulness and accuracy of the records. This allows us to monitor the operations of each business unit. The preparation process of the financial statements includes division of labor, authorisation and review. Only authorised individuals have access to prepare and modify the financial statements. The system can only provide reasonable but not absolute assurance against misstatements or losses.

Corporate Governance Report

The Group adopted a series internal control procedures for the handling and dissemination of inside information, including the management of insiders list, training for insiders and management controls for inside information to ensure that the potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide the disclosure of inside information in accordance with the SFO and the Listing Rules.

The Company also adopted an internal control system for the handling of its continuing connected transactions. In particular, the independent non-executive Directors conduct an annual review on the continuing connected transactions of the Company in the previous financial year, and confirm in the annual report of the Company that the continuing connected transactions were entered into in the ordinary and usual course of business, and conducted on normal commercial terms or better and according to the agreements of such transactions. The terms are fair, reasonable and in the interest of the Shareholders as a whole. The external auditor of the Company conducts an annual review on the continuing connected transactions of the Company in the previous financial year according to the Listing Rules, express its opinions, and issue relevant letters to the Board according to the requirements of the Listing Rules.

For the year ended 31 December 2022, the Board considers that the Group's internal control system was adequate and effective and that the Company complied with the CG Code with respect to its internal controls.

The Company established a whistleblowing policy and system for employees and those who deal with the Group to raise concerns, in confidence and with anonymity, where desired, about actual or suspected cases of impropriety in any matter related to the Group. For details, please refer to section VIII "Rigorous Quality Control" of the Company's 2022 Environment, Social and Governance Report.

The Company also established the Anti-Fraud, Anti-Money Laundering and AntiBribery Policy which sets out the Company's policy and systems that promote and support compliance with applicable anti-fraud, antibribery and corruption laws and regulations. For details, please refer to section VIII "Rigorous Quality Control" of the Company's 2022 Environment, Social and Governance Report.

COMPANY SECRETARY

For the year ended 31 December 2022, in compliance with Rule 3.28 of Listing Rules, the Company's company secretary is a full-time employee of the Company and familiar with the ordinary affairs of the Company. The company secretary supports the Board and each of the Board committees by ensuring good information flow and that policies and procedures of the Board and the relevant Board committees are followed advises the Board on governance matters and facilitates the induction and professional development of Directors. The company secretary also plays an essential role in the relationship between the Company and its Shareholders, including assisting the Board in discharging its obligations to the Shareholders pursuant to the Listing Rules.

In compliance with Rule 3.29 of the Listing Rules, Ms. Chen Xiuzhu confirmed that she has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2022.

Corporate Governance Report

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

As passed by a special resolution in AGM of the Company held on 27 June 2022, the memorandum and articles of association of the Company (the "Memorandum and Articles of Association") was amended mainly to (i) conform to the core standards for shareholder protections as set out in Appendix 3 to the Listing Rules and (ii) incorporate certain housekeeping amendments. Other than the specified above, there was no other significant change in the Company's constitutional documents for the year ended 31 December 2022. The latest version of the Company's Memorandum and Articles of Association are available on the Company's website and HKEXnews.

CONVENING GENERAL MEETINGS AND PUTTING FORWARD PROPOSALS BY SHAREHOLDERS

According to the Articles of Association, Shareholders who request the convening of an extraordinary general meeting shall comply with the following procedures:

- General meetings shall be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s).

- If the Board does not within 21 days from the date of deposit of the requisition duly proceed to convene the general meeting, the requisitionist(s) themselves or any of them representing more than one-half of their total voting rights, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business performance and strategies. The Board established a shareholders' communication policy setting out the principles of the Company in relation to shareholders' communications, with the objective of ensuring the Shareholders and investment community are provided with timely access to comprehensive, equal and understandable information about the Company.

Corporate Governance Report

The Company maintains its open communication policy and deliver information to Shareholders and the investment community through various channels, which include publication of the Company's financial reports (including interim and annual reports), information and notices of the annual general meeting and extraordinary general meeting that may be convened, other disclosures in accordance with the regulatory requirements under the relevant laws and regulations and the Listing Rules, as well as its corporate communications and other corporate publications on the HKEXnews website (www.hkexnews.hk) and/or the Company's website.

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary or relevant personnel by mail to the Company's principal place of business in Hong Kong at the following address:

Unit 1902, Floor 19,
Far East Finance Centre
16 Harcourt Road, Admiralty, Hong Kong

The company secretary and relevant personnel shall, on a regular basis, report the Shareholder's enquiries and concerns to the Board and/or relevant Board committees of the Company and where appropriate, respond to such enquiries.

The Company has reviewed the implementation of the above Shareholders and investor communication policy in 2022 and based on the information set out the paragraphs above, considers the shareholders' communication policy effective.

DIVIDEND POLICY

On 27 December 2018, the Board approved and adopted a dividend policy, pursuant to which, in recommending or declaring dividend, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board has the discretion to declare and distribute dividends to Shareholders, subject to the Articles of Association and all applicable laws and regulations. In recommending or declaring dividend, the Board shall take into account, among others, the Group's financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on payment of dividends by the Company to Shareholders or by its subsidiaries to the Company, taxation consideration and any other factors that the Board may consider relevant.

Corporate Governance Report

DIVERSITY

The Company has adopted the board diversity policy (the "Board Diversity Policy"), pursuant to which, in reviewing and assessing the Board composition and the nomination of directors, Board diversity has to be considered from a number of aspects, including but not limited to the gender, age, cultural and educational background, professional qualifications and skills, knowledge and industry and regional experience.

Even though the Board has not established a specific target number or date by which to achieve a specific number of women on the Board, the Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. The Board has two female Directors and six male Directors for the year ended 31 December 2022. The Board had reviewed the implementation and effectiveness of the Board Diversity Policy and was of the view that the Board Diversity Policy and its implementation was sufficient and effective. The Board will adhere to the Board Diversity Policy, closely monitor the proportion of female members and ensure that the selection and nomination of Board positions are appropriately structured so that a diverse range of candidates can be considered and selected.

The Company also values gender diversity at all levels of the Company, as at 31 December 2022, approximately 12.15% of the employees of the Group are female, in particular, more than 85% of senior management are female. The Company will continue to work to enhance gender diversity at all levels of the Company.

Report of the Directors

Dear Shareholders,

The Board is pleased to present its report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022 prepared in accordance with IFRSs.

PRINCIPAL ACTIVITIES

The Company was incorporated in the BVI as a limited liability company on 17 September 2007. The Shares were listed on the Main Board on 11 October 2010.

The Group is principally engaged in the processing and trading of coal and other products and providing integrated supply chain services. Details of the Company's principal subsidiaries as at 31 December 2022 are set out in note 17 to the financial statements set out in this annual report.

OPERATING RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss on pages 68 to 69 of this annual report.

Further discussion and analysis of the Group's performance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business are set out on pages 2 to 25 of this annual report. This discussion forms part of the Directors' report.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 73 to 74 of this annual report.

As at 31 December 2022, there were no reserves available for distribution to Shareholders (31 December 2021: nil).

Subject to the BVI Business Companies Act (as revised), the Company may declare final dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. The Articles of Association provide that dividends may be declared and distributed if the Directors reasonably believe that, immediately after the payment of the dividends, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.

The reserves of the Group available for distribution depend on the dividend distributable by the Company's subsidiaries. Regulations in the PRC currently permit distribution by way of dividends by the PRC subsidiaries only out of accumulated profits as determined in accordance with the PRC generally accepted accounting principles. These distributable profits differ from those that are reflected in the Group's financial statements prepared in accordance with the IFRSs.

Report of the Directors

DIVIDENDS

A final dividend in cash of HK$0.084 per share, totalling approximately HK$241 million, has been declared for the year ended 31 December 2022. The final dividend would be payable to the Shareholders subject to the approval of the Shareholders at the forthcoming annual general meeting. The final dividend is expected to be paid by no later than 8 September 2023. The dates for closure of register of members of the Company for ascertaining shareholders' entitlement to the final dividend will be further announced.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 174 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2022 are set out in note 13 to the financial statements set out in this annual report.

SHARE CAPITAL

The Shares are without par value. Details of the movements in number of authorised and issued Shares during 2022 are set out in note 34 to the financial statements set out in this annual report.

LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in notes 26 and 30 to the financial statements set out in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Most of the Group's products are sold to steel mills in China. For the year ended 31 December 2022, sales to the Group's five largest customers accounted for 38.72% of the total revenue of the Group. The largest customer was accounted for 12.66% of the total revenue of the Group.

For the year ended 31 December 2022, total procurement amount of commodities was HK$26,729 million, of which, the top five suppliers accounted for 30.81%. The largest supplier accounted for 9.78% of the total procurement amount.

At no time during the year had the Directors, their associates or any Shareholder (which to the knowledge of the Directors own(s) more than 5% of the number of issued Shares) had any interest in these major customers and suppliers.

Report of the Directors

DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

The Directors during the year and up to the date of this report of the Directors are as follows:

Name	Position
Executive Directors	
Ms. Cao Xinyi	Executive Director and Chairman and CEO
Mr. Wang Yaxu	Executive Director
Ms. Di Jingmin	Executive Director
Mr. Zhao Wei	Executive Director
Non-executive Director	
Mr. Guo Lisheng	Non-executive Director
Independent Non-executive Directors	
Mr. Ng Yuk Keung	Independent Non-executive Director
Mr. Wang Wenfu	Independent Non-executive Director
Mr. Gao Zhikai	Independent Non-executive Director

Biographical details of the current Directors and the senior management of the Company are set out in the section headed "Profile of Directors and Senior Management" on pages 26 to 29 in this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has entered into any service agreements with the Company or any other member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 to the consolidated financial statements, none of the Directors and controlling shareholders of the Company had a material beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Report of the Directors

CONNECTED TRANSACTIONS

Provision of Counter-Guarantees

On 20 April 2022, the Company and Xiangyu Joint Stock entered into the counter-guarantee contract, pursuant to which the Company agreed to provide the counter-guarantee ("**Counter-Guarantee April 2022**") in favour of Xiangyu Joint Stock in proportion to its 49% equity interest in Xianghui Energy, pursuant to which the Counter-Guarantee April 2022 is for the amount drawn down on the banking facilities together with any interest accrued thereon, any penalties, compensation and other related fees and expenses which may be payable by Xiangyu Joint Stock as contemplated under the bank guarantee contract provided by Xiangyu Joint Stock in favour of the designated bank in an aggregate amount of up to RMB160 million. 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, the provision of Counter-Guarantee April 2022 constituted connected transaction of the Company under Chapter 14A of the Listing Rules. Further details in respect of the provision of Counter-Guarantee April 2022 are set out in the Company's announcement dated 20 April 2022.

On 7 September 2022, the Company and Xiangyu Joint Stock entered into another counter-guarantee contract, pursuant to which the Company agreed to provide the counter-guarantee (the "**Counter-Guarantee September 2022**") in favour of Xiangyu Joint Stock in proportion to its 49% equity interest in Xianghui Energy, pursuant to which the Counter-Guarantee September 2022 is for an aggregate amount of up to RMB194.04 million representing proportionate guaranteed amount together with any interests accrued thereon, any penalties, compensation and other related fees and expenses which may be payable by Xiangyu Joint Stock as contemplated under the relevant bank guarantee contract provided by Xiangyu Joint Stock in favour of the designated bank. As aforementioned, 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, the provision of Counter-Guarantee September 2022 constituted connected transaction of the Company under Chapter 14A of the Listing Rules. Further details in respect of the provision of Counter-Guarantee September 2022 are set out in the Company's announcement dated 7 September 2022.

On 7 November 2022, the Company and Xiangyu Joint Stock entered into a third counter-guarantee contract, pursuant to which the Company agreed to provide the counter-guarantee (the "**Counter-Guarantee November 2022**") in favour of Xiangyu Joint Stock in proportion to its 49% equity interest in Xianghui Energy, pursuant to which the Counter-Guarantee November 2022 is for an aggregate amount of up to RMB269.5 million representing proportionate guaranteed amount together with any interest accrued thereon, any penalties, compensation and other related fees and expenses which may be payable by Xiangyu Joint Stock as contemplated under the relevant bank guarantee contracts provided by Xiangyu Joint Stock in favour of the designated banks. As aforementioned, 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, the provision of Counter-Guarantee November 2022 constituted connected transaction of the Company under Chapter 14A of the Listing Rules. Further details in respect of the provision of Counter-Guarantee November 2022 are set out in the Company's announcement dated 7 November 2022.

Report of the Directors

Entering into the Tenancy Agreements

On 30 June 2022, E-Commodities (Guangdong) Supply Chain Management Co., Ltd.* (易大宗（廣東）供應鏈管理有限公司) ("**E-Commodities Guangdong**"), a subsidiary of the Company, entered into a tenancy agreement with Mr. Wang Xingchun, as landlord, pursuant to which Mr. Wang Xingchun agreed to lease certain premises (i.e. Premise A, Premise B, Premise C and Premise D) to E-Commodities Guangdong (as the tenant) for a term of 36 months commencing from 1 July 2022 and ending on 30 June 2025 (both days inclusive), provided that, with respect to the Premises A, subject to the delivery date of the Premises A, the actual commencement date shall be notified by the Mr. Wang Xingchun and agreed by E-Commodities Guangdong in writing. The rent for Premise A, Premise B, Premise C and Premise D is RMB14,946, RMB258,128, RMB257,591 and RMB114,240 per months (after taxation), respectively. Mr. Wang Xingchun is the father of Ms. Wang, the controlling shareholder of the Company, therefore, Mr. Wang Xingchun is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the transaction contemplated under the tenancy agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details in respect of the tenancy agreement are set out in the Company's announcement dated 30 June 2022.

On 30 September 2022, E-Commodities Japan Co., Ltd.* ("**E-Commodities Japan**"), a subsidiary of the Company, entered into a tenancy agreement with North Energy Co., Ltd., (as the landlord, "**North Energy**"), a company incorporated in Japan and owned as to 80% by Ms. Wang, agreed to lease a premise located in Japan to E-Commodities Japan (as the tenant) for a term of 36 months commencing from 1 October 2022 and for a rent for JPY565,000 per month (equivalent to approximately HK$30,689.11). As North Energy constitutes an associate of Ms. Wang, therefore, North Energy is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transaction contemplated under the tenancy agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details in respect of the tenancy agreement are set out in the Company's announcement dated 30 September 2022.

Capital Reduction of Xianghui Energy

On 11 December 2022, Beijing E-Daotong Import and Export Co., Ltd.* (北京易道通進出口有限公司) ("**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 aforementioned, 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 constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details in respect of the capital reduction are set out in the Company's announcement dated 12 December 2022.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

Entering into the Mutual Supply Framework Agreement

On 31 December 2021, the Company and Xiangyu Joint Stock entered into the Mutual Supply Framework Agreement in relation to the supply of E-Commodities Products, and the provision of E-Commodities Services, by the Group to Xiamen Xiangyu, and the supply of Xiangyu Products, and the provision of 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.

Report of the Directors

The table below sets out the transaction amount and annual cap by the type of transactions for the year ended 31 December 2022:

	For the year ended 31 December 2022	
	Amounts Transaction (HK$ million)	**Annual Cap** (HK$ million)
Sale Transactions	1,357	5,500
Procurement Transactions	–	2,984
E-Commodities Services Transactions	2,426	3,347
Xiangyu Services Transactions		90
TOTAL	**3,783**	**11,921**

The independent non-executive Directors have reviewed the continuing connected transactions contemplated under the Mutual Supply Framework Agreement for the year ended 31 December 2022 and confirmed that such continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) according to the agreement governing them to terms that are fair and reasonable and in the interest of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions contemplated under the Mutual Supply Framework Agreement for the year ended 31 December 2022. The auditor has issued its unqualified letter in accordance with the Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange.

Entering into the Consultancy Agreement

On 30 December 2022, the Company and Mr. Wang Xingchun as the senior strategy consultant entered into the consultancy agreement (the "**Consultancy Agreement**") in relation to the provision of, on an exclusive basis, consultation and advisory services to the Company in relation to the development and construction of infrastructures and the related facilities for the Company's business operation along the Chinese port areas for a term of three years commencing from 1 January 2023 and ending on 31 December 2025. Under the consultancy agreement, the Company shall pay an annual service fees in Hong Kong dollars equivalent to US$1,000,000 on a monthly basis. As mentioned above, Mr. Wang is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the transactions contemplated under the consultancy agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Further details in respect of the consultancy agreement are set out in the Company's announcement dated 30 December 2022.

Report of the Directors

Given the term of the Consultancy Agreement shall commence from the 1 January 2023, there was on transactions pursuant to the Consultancy Agreement incurred for the year ended 31 December 2022. Therefore, the independent non-executive Directors have not reviewed the continuing connected transactions under the Consultancy Agreement pursuant to Rule 14A.55 of the Listing Rules, and the auditor of the Company has not reported on the continuing connected transactions under the Consultancy Agreement pursuant to rule 14A.56 of the Listing Rules.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company receive compensation in the form of fees, salaries, allowances, share-based incentive payments, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to the Company or discharging their duties in relation to the operations of the Company. When reviewing and determining the specific remuneration packages for executive Directors, the remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Director, employment elsewhere in the Group and desirability of performance-based remuneration.

Details of the remuneration of the Directors are set out in note 9 to the financial statements set out in this annual report.

For the year ended 31 December 2022, the remuneration of the Company's senior management whose profiles are included in the section headed "Profile of Directors and Senior Management" of this annual report fell within the following bands:

Remuneration bands	**Number of individuals**
HK$3,000,000 to HK$9,000,000	3
HK$10,000,000 to HK$30,000,000	3
HK$100,000,000 to HK$200,000,000	1

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent in accordance with the guidelines set out in the Listing Rules.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which (a) were required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Name of Director	Name of corporation	Nature of interest	Aggregate number of Shares	Approximate percentage of interest in the corporation[1]
Cao Xinyi	The Company	Beneficial owner	12,052,041	0.42%
Wang Yaxu	The Company	Beneficial owner	10,736,190	0.37%
Di Jingmin	The Company	Beneficial owner	3,013,030	0.11%

Notes:

(1) The percentage shareholding of the Company is calculated on the basis of 2,867,922,962 Shares in issue as at 31 December 2022, as the denominator.

Save as disclosed above, as at 31 December 2022, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Report of the Directors

SHARE-BASED INCENTIVE PLAN

2012 RSU Scheme

The Company adopted the 2012 RSU Scheme on 11 June 2012 (as amended in 2018) for a term of 10 years commencing the date of adoption. Under the 2012 RSU Scheme, the Company may grant RSU Awards to Directors (including executive Directors, non-executive Directors and independent non-executive Directors), officers, full-time employees, advisors and agents who provide value-added services to the Company or its subsidiaries. An RSU Award gives a participant under the 2012 RSU Scheme a conditional right when the RSU Award vests to obtain either Shares (existing Shares in issue or new Shares to be issued by the Company) or an equivalent value in cash with reference to the value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion. The Board may determine the vesting criteria, conditions and the time when the RSU Awards will vest.

The purposes of the 2012 RSU Scheme are to retain and motivate its participants to make contributions to the long- term growth and profits of the Company with a view to achieving the objective of increasing the value of the Group and to promote a greater alignment of interests between the participants and the Shareholders. The Board will select participants to receive RSU Awards under the RSU scheme at its discretion.

The 2012 RSU Scheme was expired on 11 June 2022. During the year ended 31 December 2022, no RSU Awards were granted by the Company under the 2012 RSU Scheme, and as at 31 December 2022, there was no outstanding and unvested RSU Awards were held by any participants under the 2012 RSU Scheme.

2022 RSU Scheme

On 6 January 2022, the Board approved the adoption of the 2022 RSU Scheme. 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 the interests between the participants under the 2022 RSU Scheme and the Shareholders. Under the 2022 RSU Scheme, the participants include: (i) a director, officer, member of senior management of any member of the Group; (ii) any non-executive Director (including independent non-executive Director); and (iii) any advisor and agent who provides value-added services to the Group, as determined by the Board in its sole discretion in accordance with the terms of the 2022 RSU Scheme.

Subject to the terms of the 2022 RSU Scheme, the total number of Shares (or, where cash amount is awarded in lieu of Shares, the aggregate number of Shares as are equivalent to the cash amount so awarded) underlying the RSUs to be granted under the 2022 RSU Scheme (excluding the Shares underlying the RSUs that have lapsed or been cancelled in accordance with the terms of the 2022 RSU Scheme) shall not exceed 10% of the total number of Shares in issue as at the adoption date of the 2022 RSU Scheme. Under the 2022 RSU Scheme, the maximum number of Shares underlying the RSUs (including Shares, or shares equivalent to cash amount awarded, in respect of RSU Awards granted, vested, lapsed or cancelled) which may be granted to any one participant during any 12-month period up to and including the relevant date of award shall not exceed the limit in accordance with the applicable laws and regulations including, but not limited to, the Listing Rules, unless otherwise approved by the Board and/or the Shareholders (if applicable).

Report of the Directors

Subject to the terms of the 2022 RSU Scheme, an RSU Award granted thereunder shall vest in accordance with the rules of the 2022 RSU Scheme and the terms specified in the RSU Agreement of the relevant participants. The vesting provisions in any RSU Agreement will be determined either by the Board, or the remuneration committee of the Company if so delegated by the Board, each in its sole discretion, provided that, the period between the date of award and the date of vesting must be at least 12 months.

Subject to the terms of the 2022 RSU Scheme, the term of the 2022 RSU Scheme shall be for a period of 10 years commencing from the date of adoption.

As at 31 December 2022, an aggregate of 33,728,878 Shares were purchased under the 2022 RSU Scheme for a total settlement cost of approximately HK$49,387,364.48, which are held by the Trustee in accordance with the terms of the 2022 RSU Scheme and the Trust Deed. Under the Trust Deed, the Trustee shall not exercise any voting rights in respect of the Share held pursuant to the settlement created by the Trust Deed.

During the year ended 31 December 2022, no RSU Award was granted under the 2022 RSU Scheme. As at 31 December 2022, no outstanding and unvested RSU was held by (i) any Director, (ii) the five highest paid individuals; or (iii) other participants under the 2022 RSU Scheme.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2022, Shareholders who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Name of Corporation	Nature of Interest	Aggregate number of Shares or underlying Shares[1]	Approximate percentage of interest in the corporation[5]
Wang Yihan[2]	The Company	Interest of controlled corporation	1,500,080,608 (L)	52.31%
Famous Speech Limited	The Company	Beneficial Owner	1,500,080,608 (L)	52.31%
Wang Xingchun[3]	The Company	Interest of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under section 317 of the SFO	1,500,080,608 (L)	52.31%
Winsway Resources[3]	The Company	Interest of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under section 317 of the SFO	1,500,080,608 (L)	52.31%
China Minmetals Corporation[4]	The Company	Interest of controlled corporation	1,500,080,608 (L)	52.31%
Magnificent Gardenia Limited[4]	The Company	Interest of any parties to an agreement to acquire interests in a particular listed corporation required to be disclosed under section 317 of the SFO	1,500,080,608 (L)	52.31%

Report of the Directors

Notes:

(1) (L) – long position.

(2) Ms. Wang directly controls Famous Speech and is deemed to be interested in the 1,500,080,608 Shares held by Famous Speech. Ms. Wang is a director of Famous Speech.

(3) Mr. Wang Xingchun and Winsway Resources are parties to an agreement covered by S.317 and S.318 of SFO entered into with Famous Speech, therefore, each of Mr. Wang Xingchun and Winsway Resources is deemed to be interested in the 1,500,080,608 shares held by Famouse Speech by virtue of S.317 of the SFO. Winsway Resources is owned as to approximately 50% each by Mr. Wang Xinchun and his spouse, Ms. Bai Jianping, therefore, Mr. Bai Jianping is deemed to be interested in Winsway Resources' interest in such 1,500,080,608 Shares.

(4) China Minmetals Corporation ("**China Minmetals**") is deemed to be interested in 1,500,080,608 Shares because Magnificent Gardenia, a corporation controlled by it, entered into an agreement which is covered by s.317 and s.318 of the SFO and is deemed to be interested in the 1,500,080,608 Shares held by Famous Speech by virtue of s.317 of the SFO.

(5) The percentage shareholding of the Company is calculated on the basis of 2,867,922,962 Shares in issue, as at 31 December 2022, as the denominator.

Save as disclosed above, as at 31 December 2022, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions representing 5% or more of the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2022.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance (as that term is used in Appendix 16 of the Listing Rules) in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Save as disclosed in this annual report, no contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

Report of the Directors

Save as disclosed in this annual report, no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

AUDIT COMMITTEE

The audit committee consists of three independent non-executive Directors, Mr. Ng Yuk Keung (chairman), Mr. Wang Wenfu and Mr. Gao Zhikai.

The audit committee has reviewed, together with the management of the Company, the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the financial statements of the Group for the year ended 31 December 2022.

PRE-EMPTIVE RIGHTS

There are no applicable provisions for pre-emptive rights under the Articles of Association or the BVI Business Companies Act (as revised) under which the Company is incorporated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2022.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the CG Code. Throughout the year ended 31 December 2022, save as disclosed in the Corporate Governance Report in this annual report, the Company has complied with all the applicable code provisions as set out in the CG Code. For details of the corporate governance practice of the Company, please refer to the Corporate Governance Report on pages 30 to 43 of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the ordinary course of business are set out in note 36 to the financial statement set out in this annual report. Save as disclosed in the paragraphs headed "Connected Transactions" and "Continuing Connected Transactions" in this section, the related party transactions disclosed in note 36 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

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

Repurchase of shares

As at 31 December 2022, the Company had a total of 2,867,922,962 shares in issue. The Company repurchased a total of 239,108,000 shares and 6,390,000 shares on the Stock Exchange during the year ended 31 December 2022 and January 2023, respectively, among which 113,460,000 repurchased shares were cancelled in 2022 and 132,038,000 repurchased shares will be cancelled in 2023.

Details of the repurchases are summarised as follows:

Months of the repurchases	Total number of Shares repurchased	Repurchased price per Share		Settlement cost
		Highest (HK$)	Lowest (HK$)	(HK$)
January 2022	113,460,000	1.28	1.10	136,761,496.28
July 2022	3,118,000	1.79	1.75	5,534,272.44
August 2022	48,874,000	1.77	1.35	79,745,124.51
September 2022	42,014,000	1.77	1.49	68,467,174.11
October 2022	7,808,000	1.44	1.36	10,942,285.14
November 2022	15,864,000	1.48	1.18	20,779,432.50
December 2022	7,970,000	1.58	1.48	12,345,095.04
January 2023	6,390,000	1.49	1.39	9,148,484.59
Total	245,498,000	–	–	343,723,364.61

Save as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2022 and the month of January 2023.

Report of the Directors

DIRECTOR'S INTERESTS' IN COMPETING BUSINESS

During the year ended 31 December 2022, none of the directors, or any of their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of their duty in their offices or otherwise in relation thereto. Such permitted indemnity provision was in force throughout the year ended 31 December 2022 and up to the date of this report. The Company arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company for the year ended 31 December 2022 and up to the date of this report.

DONATIONS

During the year ended 31 December 2022, the Group made donations of approximately HK$1.14 million.

On behalf of the Board
Cao Xinyi
Chairman

22 March 2023

Independent auditor's report

Independent auditor's report to the shareholders of E-Commodities Holdings Limited
(incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of E-Commodities Holdings Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 68 to 168, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the British Virgin Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition in respect of Trading of Seaborne Coal

Refer to note 4 to the consolidated financial statements and the accounting policies on page 98.

The Key Audit Matter	How the matter was addressed in our audit
The Group is principally engaged in the importing, processing and trading of coal and other products and the rendering of integrated supply chain services. The Group operates a significant part of its coal trading involving purchase of coking coal and other coal related products from upstream suppliers located in Russia, the United States of America, Australia, Canada and other countries, and sales of such products to downstream customers in the People's Republic of China (the "**PRC**") and other countries through sea transportation provided by third party shipping companies ("**Trading of Seaborne Coal**").	Our audit procedures to assess revenue recognition in respect of Trading of Seaborne Coal included the following: • assessing the design, implementation and operating effectiveness of the key internal controls over the recognition of revenue from Trading of Seaborne Coal; • inspecting, on a sample basis, the sales contracts to identify the terms of delivery and acceptance and assessing the revenue recognition criteria with reference to the requirements of the prevailing accounting standards;

Independent auditor's report

The Key Audit Matter	How the matter was addressed in our audit
For the year ended 31 December 2022, the Group's income from Trading of Seaborne Coal amounted to approximately HK$21,182,125,000, representing approximately 62% of the Group's total revenue for the year. The Group entered into significant volume of sales contracts with a wide range of customers. Revenue was recognised when the customer took possession of and accepted the goods which was taken to be the point in time when the customer obtained control of the goods. We identified revenue recognition in respect of Trading of Seaborne Coal as a key audit matter because revenue is a key performance measure for the Group and a key driver of the gross margin which increases the inherent risk of manipulation of revenue to meet targets and expectations and because the volume of transactions and differing trade terms increase the risk of errors in timing of recognition of revenue.	• selecting a sample of sales transactions recorded during the reporting period and just after the end of the reporting period and comparing the details with the underlying sales invoices, sales contracts and relevant documentation evidencing the date of delivery and acceptance of the goods or services to assess whether the related revenue has been recognised in the appropriate accounting period and in accordance with the Group's revenue recognition accounting policies; • requesting confirmations from the Group's customers, on a sample basis, to confirm the sales transaction amounts during the reporting period and inspecting underlying documentation relating to reconciling differences between the transactions confirmed by customers and the Group's accounting records; and • inspecting manual adjustments to revenue during the reporting period which met certain risk-based criteria and inquiring management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

Independent auditor's report

Impairment assessment of Cross-border Transportation Assets

Refer to notes 13, 14 and 15 to the consolidated financial statements and the accounting policies on page 90 to 92.

The Key Audit Matter	How the matter was addressed in our audit
The Group purchased and leased over 1,100 truck trailers and over 20,000 containers in recent years based on an expectation of the favorable market growth in cross-border transportation business regarding the transportation of coking coal from Mongolian mining pits to the logistics parks, coal processing factories and end-customers in the PRC. As of 31 December 2022, the Group had property, plant and equipment, construction in progress and right-of-use assets, in respect of the truck trailers and containers mentioned above (collectively "**Cross-border Transportation Assets**"), amounting to HK$383,804,000, HK$128,992,000 and HK$319,178,000 respectively. The Group recorded an impairment loss during the year ended 31 December 2021 in respect of the Cross-border Transportation Assets due to the low utilisation of the Group's Cross-border Transportation Assets in 2021 caused by the resurgence of novel coronavirus ("**COVID-19**").	Our audit procedures to impairment assessment in respect of the Cross-border Transportation Assets included the following: • obtaining an understanding of and assessing the design and implementation of key internal controls relating to impairment assessment in respect of the Cross-border Transportation Assets; • evaluating management's identification of cash generating units ("**CGUs**"), and the allocation of assets to the identified CGUs with reference to the requirements of the prevailing accounting standards; • evaluating the competence, capabilities and objectivity of the external valuer; • evaluating the key assumptions underlying the discounted cash flow forecast by comparison with historical information and internal business plans approved by the board of directors together with external industry statistics if available;

Independent auditor's report

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2022, management reviewed the carrying amounts of Cross-border Transportation Assets, for indicators of possible impairment or reversal of impairment by considering events or changes in circumstances. Management performed impairment assessment of the Cross-border Transportation Assets by comparing the carrying value with its recoverable amount, which was the higher of fair value less costs of disposal and value in use based on discounted cash flow forecast. Management engaged external valuer in the preparation of the discounted cash flow forecast. As a result, the Group recorded a reversal of impairment of HK$46,308,000 on property, plant and equipment in respect of the Cross-border Transportation Assets for the year ended 31 December 2022. The preparation of the discounted cash flow forecast involved the exercise of significant management judgement and estimation, particularly in estimating the key assumptions including discount rate, forecast utilisation, transportation prices and cost inflation rates. We identified impairment assessment of the Group's Cross-border Transportation Assets as a key audit matter because the assessment of impairment (or reversal of impairment) involves the exercise of significant management judgement, particularly in relation to the determination of the key assumptions underlying the discounted cash flows which could be subject to management bias.	• involving our internal valuation experts to assist us in evaluating the methodology used in the preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards and assessing whether the discount rates applied in the discounted cash flow forecast was within the range adopted by other companies in the same industry; • performing sensitivity analyses of the key assumptions underlying the discounted cash flow forecast in order to assess the potential impact of a range of possible outcomes and considering whether there was any evidence of management bias in the selection of assumptions; and • assessing the reasonableness of the disclosures in the consolidated financial statements in respect of the impairment assessment of Cross-border Transportation Assets with reference to the requirements of the prevailing accounting standards.

Independent auditor's report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained the Management Discussion and Analysis prior to the date of this auditor's report and expect remaining other information to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent auditor's report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent auditor's report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Ying Man, Simon.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 March 2023

Consolidated statement of profit or loss

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 HK$'000	2021 HK$'000
Revenue	4	**34,414,254**	41,183,601
Cost of sales		**(31,216,318)**	(35,349,865)
Gross profit		**3,197,936**	5,833,736
Other revenue	5	**40,381**	28,045
Distribution costs		**(107,948)**	(155,124)
Administrative expenses		**(947,281)**	(1,488,071)
Other operating (expenses)/income, net	6	**(82,269)**	160,354
Reversal of impairment/(impairment) of non-current assets	7(c)	**10,864**	(253,127)
Profit from operations		**2,111,683**	4,125,813
Finance income		**34,733**	22,681
Finance costs		**(251,766)**	(222,193)
Net finance costs	7(a)	**(217,033)**	(199,512)
Share of profits less losses of associates	18	**136,964**	140,688
Share of profits less losses of joint ventures	19	**7,230**	2,634
Profit before taxation		**2,038,844**	4,069,623
Income tax	8	**(333,952)**	(574,830)
Profit for the year		**1,704,892**	3,494,793

Consolidated statement of profit or loss

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 HK$'000	2021 HK$'000
Profit attributable to:			
Equity shareholders of the Company		**1,665,748**	3,462,244
Non-controlling interests		**39,144**	32,549
Profit for the year		**1,704,892**	3,494,793
Earnings per share	12		
Basic (HK$)		**0.594**	1.151
Diluted (HK$)		**0.594**	1.128

The notes on pages 78 to 168 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 34(b).

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	2022 **HK$'000**	2021 HK$'000
Profit for the year	**1,704,892**	3,494,793
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	**(2,664)**	(7,197)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation:		
– Subsidiaries	**(610,775)**	167,261
– Associates	**(98,746)**	8,509
– Joint ventures	**(8,022)**	936
Other comprehensive income for the year	**(720,207)**	169,509
Total comprehensive income for the year	**984,685**	3,664,302
Total comprehensive income attributable to:		
Equity shareholders of the Company	**953,586**	3,631,216
Non-controlling interests	**31,099**	33,086
Total comprehensive income for the year	**984,685**	3,664,302

The notes on pages 78 to 168 form part of these financial statements.

Consolidated statement of financial position

at 31 December 2022
(Expressed in Hong Kong dollars)

	Note	At 31 December 2022 HK$'000	At 31 December 2021 HK$'000
Non-current assets			
Property, plant and equipment, net	13	**1,254,936**	1,215,914
Right-of-use assets	15	**872,102**	759,215
Construction in progress	14	**395,694**	282,072
Intangible assets	16	**115,061**	93,003
Interest in associates	18	**1,427,870**	1,294,877
Interest in joint ventures	19	**75,838**	95,182
Other investments in equity securities	20	**92,235**	106,997
Deferred tax assets	32(b)	**55,207**	78,731
Other non-current assets	21	**81,792**	–
Total non-current assets		**4,370,735**	3,925,991
Current assets			
Inventories	22	**1,749,316**	2,401,508
Trade and other receivables	23	**4,043,068**	4,863,070
Restricted bank deposits	24	**860,107**	998,031
Cash and cash equivalents	25	**2,270,966**	3,259,393
Total current assets		**8,923,457**	11,522,002
Current liabilities			
Secured bank loans	26	**890,260**	1,362,557
Trade and other payables	29	**3,674,994**	4,742,249
Other interest-bearing borrowings	30	**438,844**	648,289
Lease liabilities	31	**232,755**	145,485
Income tax payable	32(a)	**140,295**	501,830
Warrants	27	**–**	62,763
Provisions	33	**292,849**	292,421
Total current liabilities		**5,669,997**	7,755,594
Net current assets		**3,253,460**	3,766,408
Total assets less current liabilities		**7,624,195**	7,692,399

Consolidated statement of financial position

at 31 December 2022
(Expressed in Hong Kong dollars)

	Note	At 31 December 2022 HK$'000	At 31 December 2021 HK$'000
Non-current liabilities			
Secured bank loans	26	**77,415**	5,103
Lease liabilities	31	**256,230**	125,364
Deferred income	28	**48,980**	64,468
Deferred tax liabilities	32(b)	**42,700**	21,186
Total non-current liabilities		**425,325**	216,121
NET ASSETS		**7,198,870**	7,476,278
CAPITAL AND RESERVES			
Share capital	34(c)	**5,661,398**	5,784,673
Reserves	34(d)	**1,257,316**	1,442,548
Total equity attributable to equity shareholders of the Company		**6,918,714**	7,227,221
Non-controlling interests		**280,156**	249,057
TOTAL EQUITY		**7,198,870**	7,476,278

Approved and authorised for issue by the board of directors on 22 March 2023 .

	)	
Cao Xinyi	)	
	)	Directors
Wang Yaxu	)	
	)	

The notes on pages 78 to 168 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Share capital HK$'000 (note 34(c))	Statutory reserve HK$'000 (note 34(d))	Employee share trusts HK$'000 (note 34(c))	Other reserve HK$'000 (note 34(d))	Exchange reserve HK$'000 (note 34(d))	Treasury shares HK$'000 (note 34(d))	Fair value reserve (non-recycling) HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2022	5,784,673	416,418	-	(44,449)	298,913	(144,582)	(37,916)	954,164	7,227,221	249,057	7,476,278
Changes in equity for 2022:											
Total comprehensive income	-	-	-	-	(709,498)	-	(2,664)	1,665,748	953,586	31,099	984,685
Purchase of own shares	-	-	-	-	-	(325,510)	-	-	(325,510)	-	(325,510)
Cancellation of repurchased shares (note 34(c))	(272,030)	-	-	-	-	272,030	-	-	-	-	-
Shares issued for exercise of warrants (note 34(c))	148,755	-	-	-	-	-	-	-	148,755	-	148,755
Contribution to employee share trusts (note 34(c))	-	-	(44,834)	-	-	-	-	-	(44,834)	-	(44,834)
Appropriation to statutory reserve (note 34(d))	-	63,720	-	-	-	-	-	(63,720)	-	-	-
Dividends declared (note 34(b))	-	-	-	-	-	-	-	(1,040,504)	(1,040,504)	-	(1,040,504)
Balance at 31 December 2022	5,661,398	480,138	(44,834)	(44,449)	(410,585)	(198,062)	(40,580)	1,515,688	6,918,714	280,156	7,198,870

The notes on pages 78 to 168 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Share capital HK$'000 (note 34(c))	Statutory reserve HK$'000 (note 34(d))	Employee share trusts HK$'000 (note 34(c))	Other reserve HK$'000 (note 34(d))	Exchange reserve HK$'000 (note 34(d))	Treasury shares HK$'000 (note 34(d))	Fair value reserve (non-recycling) HK$'000	(Accumulated loss)/ Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2021	5,784,673	269,589	(6,675)	(45,328)	122,744	–	(30,719)	(2,167,531)	3,926,753	(116,140)	3,810,613
Changes in equity for 2021:											
Total comprehensive income	–	–	–	–	176,169	–	(7,197)	3,462,244	3,631,216	33,086	3,664,302
Purchase of own shares	–	–	–	–	–	(144,582)	–	–	(144,582)	–	(144,582)
Contribution to employee share trusts (note 34(c))	–	–	(20,625)	–	–	–	–	–	(20,625)	–	(20,625)
Grant of restricted share units to employees (note 34(c))	–	–	27,300	1,457	–	–	–	–	28,757	–	28,757
Appropriation to statutory reserve (note 34(d))	–	146,829	–	–	–	–	–	(146,829)	–	–	–
Contribution from non-controlling interests	–	–	–	(578)	–	–	–	–	(578)	332,111	331,533
Dividends declared (note 34(b))	–	–	–	–	–	–	–	(193,720)	(193,720)	–	(193,720)
Balance at 31 December 2021	5,784,673	416,418	–	(44,449)	298,913	(144,582)	(37,916)	954,164	7,227,221	249,057	7,476,278

The notes on pages 78 to 168 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 HK$'000	2021 HK$'000
Operating activities			
Profit before taxation		**2,038,844**	4,069,623
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	7(c)	**254,607**	233,259
Amortisation of intangible assets	7(c)	**7,818**	7,253
Amortisation of deferred income		**(8,922)**	(2,850)
Interest income	7(a)	**(34,733)**	(22,681)
Interest expenses	7(a)	**103,186**	126,358
Net realised and unrealised loss/(gain) on derivative financial instruments	6	**81,260**	(175,950)
Changes in fair value on warrants	7(a)	**8,782**	62,763
(Gain)/loss on disposal of property, plant and equipment, net	6	**(2,038)**	4,972
Share of profits less losses of associates		**(136,964)**	(140,688)
Share of profits less losses of joint ventures		**(7,230)**	(2,634)
(Reversal of impairment)/impairment of non-current assets	7(c)	**(10,864)**	253,127
Provision for legal obligation	33	**–**	292,421
Foreign exchange loss, net	7(a)	**125,458**	8,265
		2,419,204	4,713,238
Decrease/(increase) in inventories		**652,192**	(1,719,975)
Decrease/(increase) in trade and other receivables		**865,106**	(2,083,240)
(Decrease)/increase in trade and other payables		**(1,146,177)**	2,054,456
Income tax paid		**(618,132)**	(206,139)
Net cash generated from operating activities		**2,172,193**	2,758,340

Consolidated cash flow statement

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	2022 **HK$'000**	2021 HK$'000
Investing activities		
Payment for purchase of property, plant and equipment, construction in progress, and intangible assets	**(632,627)**	(647,046)
Proceeds from sale of property, plant and equipment	**16,985**	22,277
Decrease/(increase) in restricted bank deposits	**137,924**	(73,664)
Net cash (outflows)/inflows from purchase or settlement of derivative financial instruments	**(199,268)**	204,026
Capital contributions to associates	**(191,486)**	–
Capital contributions to a joint venture	**–**	(61,155)
Dividends received from an associate	**96,711**	73,228
Net cash outflows from acquisition of subsidiaries	**(16,001)**	–
Interest received	**35,280**	25,968
Net cash used in investing activities	**(752,482)**	(456,366)
Financing activities		
Proceeds from bank loans	**11,798,263**	23,240,381
Repayment of bank loans	**(12,114,833)**	(22,894,992)
Proceeds from interest-bearing borrowings from an associate	**463,128**	126,894
Repayment of interest-bearing borrowings from an associate	**(622,761)**	(212,474)
Proceeds from shares issued for exercise of warrant	**77,212**	–
Capital element of finance leases rentals paid	**(179,173)**	(145,485)
Interest element of finance leases rentals paid	**(24,929)**	(19,120)
Interest paid	**(78,990)**	(108,165)
Dividends paid to equity shareholders of the Company	**(1,059,281)**	–
Dividends paid to non-controlling interests	**–**	(462)
Capital injection from non-controlling interests	**–**	331,533
Purchase of own shares	**(325,510)**	(144,582)
Contribution to employee share trusts	**(44,834)**	(20,625)
Net cash (used in)/generated from financing activities	**(2,111,708)**	152,903

Consolidated cash flow statement

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	**2022** **HK$'000**	2021 HK$'000
Net (decrease)/increase in cash and cash equivalents		**(691,997)**	2,454,877
Cash and cash equivalents at 1 January	25(a)	**3,259,393**	721,819
Effect of foreign exchange rate changes		**(296,430)**	82,697
Cash and cash equivalents at 31 December	25(a)	**2,270,966**	3,259,393

The notes on pages 78 to 168 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in associates and joint ventures.

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

- investments in equity securities (see note 2(g)); and

- derivative financial instruments (see note 2(h)).

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

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 IAS 16, Property, plant and equipment: Proceeds before intended use*
- *Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)),

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(l)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2(l)).

Unrealised profits and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

(f) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 2(d)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arise is tested annually for impairment (see note 2(l)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Business combinations (continued)

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 35(e).

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(u)(ii).

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the statement of financial position at cost less impairment losses (see note 2(l)). The construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	10 to 40 years
Plant and machinery	3 to 20 years
Railway special assets	8 to 50 years
Motor vehicles	4 to 10 years
Office and other equipment	2 to 10 years

Freehold land is not depreciated.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation with finite useful lives, and impairment losses (see note 2(l)). Amortisation is recognised in profit or loss on a straight-line basis over the assets' useful lives. The following other intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	10 years
Exclusive services agreement	20 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(i) As a lessee (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(i) and 2(l)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including trade and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

Other financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

- construction in progress;
- intangible assets; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventories (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in note 2(u).

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost, using the effective interest method less an allowance for credit losses (see note 2(l)(i)).

Insurance reimbursement is recognised and measured in accordance with note 2(t).

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs, see note 2(w).

(p) Trade and other payables (other than refund labilities)

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Refund liabilities arising from rights of returns and volume rebates are recognised in accordance with the policy set out in note 2(u).

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds held by solicitor that are held for meeting short-term cash commitments, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(l)(i).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Obligations for contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in relevant jurisdictions are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options and restricted share units granted to employees is recognised as an employee cost with a corresponding increase in the other reserve within equity. The fair value of share options is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of restricted share units is measured at grant date using the market price of the Company's shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options and restricted share units, the total estimated fair value of the options and restricted share units is spread over the vesting period, taking into account the probability that the options and restricted share units will vest.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (continued)

(ii) Share-based payments (continued)

During the vesting period, the number of share options and restricted share units that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the other reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options and restricted share units that vest (with a corresponding adjustment to the other reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount related to share options is recognised in the other reserve until either the option is exercised (when it is transferred to the share capital account) or the option expires (when it is released directly to retained earnings). The equity amount related to restricted share units is recognised in other reserve until the restricted share units become vested and is transferred to employee share trusts.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of goods that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Sales of the Group's goods are recognised as follows:

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) Sales of goods

Revenue is recognised when the customer takes possession of and accepts the goods which was taken to be the point in time when the customer obtain control of the goods.

In the comparative period, revenue from sales of goods was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership.

(b) Rendering of services

Revenue from rendering of services are recognised when the services are rendered.

Where a contract has two or more performance obligations, the Group allocates the transaction price to each service in proportion to those stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Group sells the services in separate transactions.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other income (continued)

(ii) Revenue from other sources and other income

(a) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(b) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(l)(i)). Interest income is recognised as it accrues using the effective interest method.

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the assets.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Translation of foreign currencies (continued)

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired, are translated into HK$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Related parties (continued)

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

The significant sources of estimation uncertainty and critical accounting judgement made by the management are as follows:

(i) Impairment of non-current assets

If circumstances indicate that the carrying amount of an asset may not be recoverable, this asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to the level of sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales revenue and amount of operating costs. An increase or decrease in the above impairment loss would affect the net profit in future years.

(ii) Allowance for diminution in value of inventories

If the costs of inventories fall below their net realisable values, an allowance for diminution in value of inventories is recognised. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Management bases the estimates on all available information, including the current market prices of the products, and historical operating costs. If the actual selling prices were to be lower or the costs of completion were to be higher than estimated, the actual allowance for diminution in value of inventories could be higher than estimated.

(iii) ECL for financial assets

As explained in note 2(l), The Group estimates ECL for financial assets measured at amortised cost. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(iv) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

4 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

	2022 **HK$'000**	2021 HK$'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Coal	**26,927,042**	36,107,175
– Rendering of integrated supply chain services	**3,756,526**	981,618
– Oil and petrochemical products	**3,137,601**	3,007,881
– Iron ore	**515,550**	864,531
– Coke	**29,298**	112,097
– Nonferrous metals	**–**	51,396
– Others	**48,237**	58,903
	34,414,254	41,183,601

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Disaggregation of revenue (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 4(b)(i) and 4(b)(iii) respectively.

The Group's customer base is diversified and includes two customers (2021: one) with whom transactions have exceeded 10% of the Group's revenues.

In 2022 revenues from each of these two customers, including sales to entities which are known to the group to be under common control with these customers, amounted to approximately HK$4,356,648,000 (2021: HK$2,406,067,000) and HK$4,078,864,000 (2021: HK$1,941,174,000), respectively. Details of concentration of credit risk arising from the largest and the largest five customers are set out in note 35(a).

(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.

– Rendering of 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 customers.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(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 2022 and 2021 is set out below.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	Processing and trading of coal and other products		Rendering of integrated supply chain services		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Disaggregated by timing of revenue recognition						
Point in time	**30,657,728**	40,201,983	**3,357,790**	819,420	**34,015,518**	41,021,403
Over time	**–**	–	**398,736**	162,198	**398,736**	162,198
Revenue from external customers	**30,657,728**	40,201,983	**3,756,526**	981,618	**34,414,254**	41,183,601
Inter-segment revenue	**–**	–	**617,261**	509,814	**617,261**	509,814
Reportable segment revenue	**30,657,728**	40,201,983	**4,373,787**	1,491,432	**35,031,515**	41,693,415
Reportable segment profit (adjusted EBITDA)	**975,433**	4,511,278	**1,588,400**	264,313	**2,563,833**	4,775,591
Interest income	**32,511**	18,484	**2,222**	4,197	**34,733**	22,681
Interest expense	**(65,425)**	(91,611)	**(37,761)**	(34,747)	**(103,186)**	(126,358)
Depreciation and amortisation	**(48,649)**	(43,630)	**(213,776)**	(196,882)	**(262,425)**	(240,512)
Reversal of impairment/ (impairment) of non-current assets	**–**	(55,685)	**10,864**	(197,442)	**10,864**	(253,127)
Impairment losses on trade and other receivables	**(54,932)**	(11,656)	**(1,463)**	(1,161)	**(56,395)**	(12,817)
Reportable segment assets (including interest in associates and joint ventures)	**10,436,091**	14,231,449	**3,939,411**	3,064,042	**14,375,502**	17,295,491
Additions to non-current segment assets during the year	**99,773**	241,355	**788,864**	413,286	**888,637**	654,641
Reportable segment liabilities	**5,632,520**	7,973,002	**1,416,324**	1,401,926	**7,048,844**	9,374,928

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	2022 HK$'000	2021 HK$'000
Revenue		
Reportable segment revenue	**35,031,515**	41,693,415
Elimination of inter-segment revenue	**(617,261)**	(509,814)
Consolidated revenue	**34,414,254**	41,183,601

	2022 HK$'000	2021 HK$'000
Profit		
Reportable segment profit	**2,563,833**	4,775,591
Depreciation and amortization	**(262,425)**	(240,512)
Reversal of impairment/(impairment) of non-current assets	**10,864**	(253,127)
Impairment losses on trade and other receivables	**(56,395)**	(12,817)
Net finance costs	**(217,033)**	(199,512)
Consolidated profit before taxation	**2,038,844**	4,069,623

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	At 31 December 2022 HK$'000	At 31 December 2021 HK$'000
Assets		
Reportable segment assets	**14,375,502**	17,295,491
Deferred tax assets	**55,207**	78,731
Elimination of inter-segment receivables	**(1,136,517)**	(1,926,229)
Consolidated total assets	**13,294,192**	15,447,993
Liabilities		
Reportable segment liabilities	**7,048,844**	9,374,928
Income tax payable	**140,295**	501,830
Deferred tax liabilities	**42,700**	21,186
Elimination of inter-segment payables	**(1,136,517)**	(1,926,229)
Consolidated total liabilities	**6,095,322**	7,971,715

(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 joint ventures.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information (continued)

	Revenues from external customers		Specified non-current assets	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC (including Hong Kong, Macau and Taiwan)	**27,737,415**	34,544,878	**3,332,026**	3,296,661
South Korea	**1,887,872**	1,920,205	**–**	–
Indonesia	**1,412,192**	164,250	**–**	–
Netherlands	**1,314,016**	134,492	**–**	–
Malaysia	**606,643**	236,604	**–**	–
India	**568,819**	1,618,948	**–**	–
Mongolia	**352,475**	225,804	**829,629**	385,967
Japan	**102,742**	806,783	**32,866**	29,584
Germany	**96**	223,968	**–**	–
Vietnam	**–**	859,353	**–**	–
Others	**431,984**	448,316	**28,772**	28,051
	34,414,254	41,183,601	**4,223,293**	3,740,263

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 OTHER REVENUE

	2022 **HK$'000**	2021 HK$'000
Government grants	**36,586**	23,114
Others	**3,795**	4,931
	40,381	28,045

6 OTHER OPERATING (EXPENSES)/INCOME, NET

	2022 **HK$'000**	2021 HK$'000
Gain/(loss) on disposal of property, plant and equipment, net	**2,038**	(4,972)
Net realised and unrealised (loss)/gain on derivative financial instruments (note)	**(81,260)**	175,950
Others	**(3,047)**	(10,624)
	(82,269)	160,354

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 2022 and 2021.

7 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2022 HK$'000	2021 HK$'000
Interest income on financial assets measured at amortised cost	**(34,733)**	(22,681)
Finance income	**(34,733)**	(22,681)
Interest on secured bank loans	**24,503**	39,281
Interest on other interest-bearing borrowings	**20,688**	27,153
Interest on discounted bills receivable	**33,066**	40,804
Interest on lease liabilities	**24,929**	19,120
Total interest expense	**103,186**	126,358
Bank and other charges	**14,340**	24,807
Changes in fair value on warrants (note 27)	**8,782**	62,763
Foreign exchange loss, net	**125,458**	8,265
Finance costs	**251,766**	222,193
Net finance costs	**217,033**	199,512

(b) Staff costs

	2022 HK$'000	2021 HK$'000
Salaries, wages, bonus and other benefits	**875,633**	1,373,619
Contributions to defined contribution retirement plan	**40,399**	11,856
	916,032	1,385,475

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued)

During the year ended 31 December 2022, staff costs of the Group included accrued bonus of approximately HK$354,248,000 (2021: HK$976,749,000) 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 Group. 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

	2022 HK$'000	2021 HK$'000
Amortisation and depreciation#		
– property, plant and equipment	**167,040**	141,196
– right-of-use assets	**87,567**	92,063
– intangible assets	**7,818**	7,253
Impairment loss on trade and other receivables	**56,395**	12,817
(Reversal of impairment)/impairment of non-current assets		
– property, plant and equipment (note 13)	**(30,064)**	176,871
– right-of-use assets (note 15)	**–**	76,256
– interests in a joint venture	**19,200**	–
Auditors' remuneration		
– audit services	**7,521**	7,588
– other services	**20**	19
Increase of provisions (note 33)	**–**	292,421
Cost of inventories# (note 22(b))	**29,055,291**	35,033,468

Cost of inventories includes HK$37,888,000 (2021:HK$130,831,000) and HK$35,062,000 (2021: HK$195,867,000) for the year ended 31 December 2022 relating to staff costs, depreciation and amortisation which amount is also included in the respective total amount disclosed separately above or in note 7(b) for each type of these expenses.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2022 **HK$'000**	2021 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**9,867**	132,729
Current tax – Outside of Hong Kong		
Provision for the year	**278,540**	486,024
Under/(over)-provision in respect of prior years	**507**	(2,419)
Deferred Tax		
Origination and reversal of temporary differences (note 32(b))	**45,038**	(41,504)
	333,952	574,830

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% (2021: 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% (2021: 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.

Pursuant to Caishui [2011] No. 58 Notice on Issues Concerning Relevant Tax Policies to In-depth Implementation of the Western Development Strategy, Announcement [2012] No. 12 Public Announcement on Corporate Income Tax Issues Relating to In-depth Implementation of the Western Development Strategy and Announcement [2020] No. 23 Public Announcement on Continuation of Corporate Income Tax policy Relating to the Western Development Strategy, certain subsidiaries of the Group, being enterprises engaged in state encouraged industries established in the specified western regions, are taxed at a preferential income tax rate of 15% till 31 December 2030.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("**HNTE**"), which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. One subsidiary is qualified as a HNTE. Accordingly, the subsidiary is entitled to the preferential tax rate of 15% for the years ended 31 December 2021 and 2022. The Company obtained its certificate of HNTE on 14 September 2021 and is subject to income tax at 15% from 1 January 2021 to 31 December 2023.

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

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2022 **HK$'000**	2021 HK$'000
Profit before taxation	**2,038,844**	4,069,623
Notional tax on profit before taxation, calculated at the rates applicable to profit in the jurisdictions concerned	**366,615**	663,935
Tax effect of non-taxable income	**(33,189)**	(10,245)
Tax effect of non-deductible expenses	**1,058**	1,450
Tax effect of utilisation of previously unrecognised tax losses	**(9,899)**	(89,659)
Tax effect of unused tax losses and other temporary differences not recognised	**8,860**	11,768
Under/(over)-provision in respect of prior years	**507**	(2,419)
Actual tax expense	**333,952**	574,830

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2022			
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement Scheme Contributions HK$'000	Total HK$'000
Executive directors				
Cao Xinyi	**235**	**38,916**	**32**	**39,183**
Wang Yaxu	**235**	**21,496**	**59**	**21,790**
Di Jingmin	**235**	**10,293**	**59**	**10,587**
Zhao Wei	**235**	**7,022**	**59**	**7,316**
Non-executive directors				
Guo Lisheng	**–**	**–**	**–**	**–**
Independent non-executive directors				
Gao Zhikai	**1,566**	**–**	**–**	**1,566**
Ng Yuk Keung	**1,566**	**–**	**–**	**1,566**
Wang Wenfu	**1,566**	**–**	**–**	**1,566**
Total	**5,638**	**77,727**	**209**	**83,574**

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS (CONTINUED)

	2021			
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement Scheme Contributions HK$'000	Total HK$'000
Executive directors				
Cao Xinyi	233	69,719	23	69,975
Wang Yaxu	233	32,840	68	33,141
Li Jianlou (resigned on 30 July 2021)	136	1,451	37	1,624
Di Jingmin	233	15,798	68	16,099
Zhao Wei (appointed on 30 July 2021)	96	3,446	61	3,603
Non-executive directors				
Guo Lisheng	–	–	–	–
Independent non-executive directors				
Gao Zhikai	1,555	–	–	1,555
Ng Yuk Keung	1,555	–	–	1,555
Wang Wenfu	1,555	–	–	1,555
Total	5,596	123,254	257	129,107

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2021: two) are directors whose emoluments are disclosed in note 9. During the year ended 31 December 2022, the emoluments in respect of the other three individuals (2021: three) were as follow:

	2022 HK$'000	2021 HK$'000
Salaries and other emoluments	**9,437**	8,015
Discretionary bonuses	**198,728**	583,522
Retirement scheme contributions	**261**	187
	208,426	591,724

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

During the year ended 31 December 2022, the emoluments of the three individuals (2021: three) with the highest emoluments were within the following bands:

	2022 Number of individuals	2021 Number of individuals
HK$20,000,000 to HK$30,000,000	**2**	–
HK$60,000,000 to HK$100,000,000	**–**	2
HK$100,000,000 to HK$200,000,000	**1**	–
HK$400,000,000 to HK$500,000,000	**–**	1

11 OTHER COMPREHENSIVE INCOME

Other comprehensive income does not have any tax effect for the year ended 31 December 2022 (2021: nil).

12 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 HK$1,665,748,000 (2021: HK$3,462,244,000) and the weighted average number of ordinary shares of 2,805,439,000 ordinary shares (2021: 3,008,180,000 shares) in issue during the year ended 31 December 2022, calculated as follows:

Weighted average number of ordinary shares (basic):

	2022 ’000	2021 ’000
Issued ordinary shares at 1 January	**3,026,883**	3,026,883
Effect of purchase of own shares (note 34(c))	**(308,921)**	(25,243)
Effect of purchase of shares held by the employee share trusts*	**(14,087)**	6,540
Shares issued for exercise of warrants	**101,564**	–
Weighted average number of ordinary shares (basic) as at 31 December	**2,805,439**	3,008,180

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

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

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

	2022 **HK$'000**	2021 HK$'000
Profit attributable to ordinary equity shareholders	**1,665,748**	3,462,244
Effect of potential ordinary shares – warrants	**–**	62,763
Profit attributable to ordinary equity shareholders (diluted)	**1,665,748**	3,525,007

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

	2022 **'000**	2021 '000
Weighted average number of ordinary shares at 31 December	**2,805,439**	3,008,180
Effect of potential ordinary shares – warrants	**–**	118,061
Weighted average number of ordinary shares (diluted) as at 31 December	**2,805,439**	3,126,241

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(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Reconciliation of carrying amount

	Land and buildings HK$'000	Plant and machinery HK$'000	Railway special assets HK$'000	Motor vehicles HK$'000	Office and other equipment HK$'000	Total HK$'000
Cost:						
At 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 14)	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 and 1 January 2022	1,276,596	424,589	320,018	837,923	174,299	3,033,425
Additions	23,517	45,770	–	77,595	55,357	202,239
Transferred from construction in progress (note 14)	85,829	106,234	–	2,493	5,534	200,090
Disposals	–	(344)	–	(22,515)	(608)	(23,467)
Exchange adjustments	(114,367)	(41,392)	(28,645)	(182,403)	(18,017)	(384,824)
At 31 December 2022	1,271,575	534,857	291,373	713,093	216,565	3,027,463
Accumulated depreciation and impairment losses:						
At 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	–	–	–	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

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

(a) Reconciliation of carrying amount (continued)

	Land and buildings HK$'000	Plant and machinery HK$'000	Railway special assets HK$'000	Motor vehicles HK$'000	Office and other equipment HK$'000	Total HK$'000
At 31 December 2021 and 1 January 2022	735,838	331,015	298,630	342,061	109,967	1,817,511
Charge for the year	39,573	25,406	1,566	59,588	40,907	167,040
Impairment loss/(reversal of impairment loss)	16,244	–	–	(46,308)	–	(30,064)
Written back on disposal	–	(87)	–	(11,104)	(481)	(11,672)
Exchange adjustments	(66,613)	(30,652)	(26,805)	(28,299)	(17,919)	(170,288)
At 31 December 2022	725,042	325,682	273,391	315,938	132,474	1,772,527
Net book value:						
At 31 December 2022	546,533	209,175	17,982	397,155	84,091	1,254,936
At 31 December 2021	540,758	93,574	21,388	495,862	64,332	1,215,914

Note: At 31 December 2022, property, plant and equipment of the Group of HK$436,111,000 (2021: HK$282,003,000) have been pledged as collateral for the Group's borrowings (see note 26), bills payable (see note 29) and lease liabilities (see note 31).

Reversal of impairment loss/Impairment loss

During the year ended 31 December 2021, an impairment loss of HK$176,871,000 for property, plant and equipment in respect of certain of the Group's vehicles in Mongolia was charged to the consolidated statement of profit or loss due to the unfavorable future prospects of the low utilisation of the vehicles.

13 PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

(a) Reconciliation of carrying amount (continued)

Reversal of impairment loss/Impairment loss (continued)

In view of the increase of the utilisation of the vehicles during 2022, the Group performed impairment assessment with respect of the vehicles. As at 31 December 2022, a reversal of impairment loss of HK$46,308,000 relating to the vehicles have been recorded to the consolidated statement of profit or loss.

The reversal of impairment has been recognised based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering an eight-year period. The cash flows are discounted using a pre-tax discount rate of 22% (2021: 20%). The discount rate used reflects specific risks relating to the relevant segments.

In addition, an impairment loss of HK$16,244,000 for a land use right has been charged to the consolidated statement of profit or loss during the year ended 31 December 2022 on the basis that one land of the Group in Mongolia was suspended and currently had no development plan.

(b) The analysis of net book value of properties

	2022 **HK$'000**	2021 HK$'000
The PRC (including Hong Kong and Macau)	**460,946**	430,813
Other countries	**85,587**	109,945
Aggregate net book value	**546,533**	540,758

As at 31 December 2022, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to HK$45,160,000 (2021: HK$46,220,000). 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.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CONSTRUCTION IN PROGRESS

	2022 HK$'000	2021 HK$'000
At 1 January	**282,072**	441,697
Additions	**349,394**	227,154
Transferred to property, plant and equipment (note 13)	**(200,090)**	(393,595)
Exchange adjustments	**(35,682)**	6,816
At 31 December	**395,694**	282,072

15 RIGHT-OF-USE ASSETS

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

	2022 HK$'000	2021 HK$'000
Lease prepayments, carried at depreciated cost (note i)	**413,177**	406,909
Offices leased for own use, carried at depreciated cost (note ii)	**42,583**	20,107
Motor vehicles, machinery and other equipment, carried at depreciated cost (note ii)	**416,342**	332,199
	872,102	759,215

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 2022, land use rights of the Group of HK$181,065,000 (2021: HK$280,981,000) have been pledged as collateral for the Group's borrowings (see note 26), bills payable (see note 29) and lease liabilities (see note 31).

(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.

15 RIGHT-OF-USE ASSETS (CONTINUED)

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

	2022 HK$'000	2021 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset: (note 7(c))		
Ownership interests in leasehold land and buildings	**14,629**	12,634
Other properties leased for own use	**20,599**	11,382
Plant, machinery and equipment	**52,339**	68,047
	87,567	92,063
Interest on lease liabilities (note 7(a))	**24,929**	19,120
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December	**5,456**	6,368
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**338**	364
Impairment loss	**–**	76,256

During the year ended 31 December 2022, additions to right-of-use assets were HK$303,953,000. This amount included the addition of motor vehicles, machinery and other equipment with the amount of HK$228,998,000 and lease prepayments with the amount of HK$74,955,000.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 25(c), 31 and 37 respectively.

Impairment loss

During the year ended 31 December 2021, an impairment loss of HK$55,685,000 was made by the Group, representing the carrying value of the land use rights for several parcels of lands located in Inner Mongolia, net of the associated government grants received. The impairment losses were determined 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. In addition, the Group recorded impairment losses of HK$20,571,000 in respect of lease prepayments for another land use right, with reference to the lands prices at which other similar assets transacted in similar areas on an arm's length basis.

As at 31 December 2022, based on the evaluation of the development and construction progress of these lands and latest communication with local authorities, the Group continues to make the impairment of HK$76,256,000 for the above mentioned land use rights.

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16 INTANGIBLE ASSETS

	Exclusive service agreement HK$'000	**Software** HK$'000	**Total** HK$'000
Cost:			
At 1 January 2021	104,549	25,379	129,928
Additions	–	11,588	11,588
Exchange adjustments	603	228	831
At 31 December 2021	105,152	37,195	142,347
Additions	–	33,051	33,051
Exchange adjustments	154	(4,579)	(4,425)
At 31 December 2022	105,306	65,667	170,973
Accumulated amortization and impairment losses:			
At 1 January 2021	31,810	9,932	41,742
Charge for the year	4,135	3,118	7,253
Exchange adjustments	137	212	349
At 31 December 2021	36,082	13,262	49,344
Charge for the year	5,023	2,795	7,818
Exchange adjustments	24	(1,274)	(1,250)
At 31 December 2022	41,129	14,783	55,912
Net book value:			
At 31 December 2022	64,177	50,884	115,061
At 31 December 2021	69,070	23,933	93,003

The exclusive service agreement ("**ESA**") represents an agreement entered by the Company and Minghua Energy Group Co., Ltd. ("**Minghua Group**") on 18 January 2017, under which Minghua Group shall provide to the Company and its subsidiaries logistics services on an exclusive basis, including but not limited to, dispatching of coal products, weighing, loading and unloading of transport vehicles, setting the stack and loading containers. The term of the ESA is 20 years which commenced from 1 January 2017.

Amortisation of the exclusive right is calculated using the straight-line method to allocate the cost over 20 years during the term of the ESA.

Notes to the financial statements

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17 INTERESTS IN SUBSIDIARIES

The following list contains only the particulars of major subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
E-Commodities (HK) Holdings Limited ("**E-Commodities (HK)**")	23 October 2009 Hong Kong	31,312,613 shares	100%	–	Supply chain trading of commodities
E-Commodities Holdings Private Limited ("**E-Commodities Singapore**")	31 December 2009 The Republic of Singapore ("**Singapore**")	Singapore dollars ("**SGD**") 1,000,000 US$34,295,000	100%	–	Supply chain trading of commodities
E-Commodities (Beijing) Supply Chain Management Co., Ltd. ("**E-Commodities Beijing**")*	6 November 1995 PRC	US$276,500,000	–	100%	Investment holding Supply chain trading of coal
Urad Zhongqi Yiteng Mining Co., Ltd. ("**Yiteng**")**	7 September 2005 PRC	RMB320,000,000	–	100%	Logistics service
Inner Mongolia Haotong Energy Joint Stock Co., Ltd. ("**Inner Mongolia Haotong**")**	18 November 2005 PRC	RMB740,000,000	–	100%	Supply chain trading of coal
Erlianhot Haotong Energy Co., Ltd ("**Erlianhot Haotong**")***	18 January 2007 PRC	RMB95,370,000	–	94.86%	Logistics service
Ejina Haotong Energy Co., Ltd ("**Ejina Haotong**")**	19 May 2008 PRC	RMB260,000,000	–	100%	Supply chain trading of coal
Eco Global Logistics LLC ("**Eco Global**")	11 June 2019 MNG	RMB37,434,500 US$23,700,000 MNT20,000	–	100%	Logistics service

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

17 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company Direct	Indirect	Principal activities
Inner Mongolia Minghua Clean Energy Co.,Ltd ("**Minghua**")**	24 May 2015 PRC	RMB101,200,500	–	100%	Processing of coal and trading of commodities
Yingkou Haotong Mining Corporation ("**Yingkou Haotong**")**	16 November 2009 PRC	RMB175,000,000	–	100%	Processing of coal and trading of commodities
Ulanqab Haotong Energy Co., Ltd ("**Ulanqab Haotong**")**	2 March 2010 PRC	RMB240,000,000	–	100%	Processing of coal and trading of commodities
Longkou Winsway Energy Co., Ltd ("**Longkou Winsway**")***	27 April 2010 PRC	RMB180,000,000	–	100%	Processing of coal and trading of commodities
Ejina Qi Ruyi Winsway Energy Co., Ltd. ("**Ejina Qi Winsway**")**	30 June 2010 PRC	RMB50,000,000	–	80.4%	Logistics service
Inner Mongolia Hutie Winsway Logistics Co., Ltd. ("**Inner Mongolia Hutie Winsway Logistics**")**	22 July 2010 PRC	RMB113,500,000	–	87.05%	Logistics service
Nantong E-commodities Supply Chain Management Co., Ltd. ("**Nantong E-commodities**") **	2 April 2013 PRC	RMB50,000,000	–	100%	Supply chain trading of commodities
Beijng E-Link Technology Co,. Ltd ("**Beijing E-Link**") **	26 March 2014 PRC	RMB29,380,000	–	100%	Supply chain technology service

Notes to the financial statements

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17 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Date and place of incorporation/ establishment and place of operations	Issued and fully paid up capital	Effective percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Urad Middle Banner Teng Sheng Da Energy Co., Ltd ("**Tengshengda**") **	17 June 2014 PRC	RMB50,000,000	–	100%	Supply chain trading of coal
Beijing E-Daotong Import and Export Co., Ltd. ("**Beijing E-Daotong**") **	25 July 2019 PRC	RMB980,100,000	–	100%	Investment holding
Hainan More Richway Supply Chain Management Co., Ltd. ("**Hainan More Richway**") **	13 November 2020 PRC	RMB96,740,000	–	100%	Supply chain trading of commodities
Hainan Jiaxin Intelligent Logistics Co., Ltd. ("**Hainan Jiaxin**") **	13 November 2020 PRC	RMB5,000,000	–	100%	Logistics service
Inner Mongolia E-35 Technology Co., Ltd. ("**Inner Mongolia E-35**") ***	4 June 2019 PRC	RMB795,500,000	–	80%	Investment holding
Inner Mongolia Haotong Environmental Technology Co., Ltd. ("**Haotong Environmental Technology**") **	24 October 2019 PRC	RMB433,945,500	–	80%	Investment holding
Ningbo Puxin Trading Co.,Ltd. ("**Ningbo Puxin**") **	27 October 2021 PRC	RMB50,000,000	–	100%	Supply chain trading of commodities

* Wholly foreign owned enterprises established under the PRC law.

** Limited liability companies established under the PRC law.

*** Sino-foreign equity joint ventures established under the PRC law.

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18 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 (note 1)
TTJV Co. LLC. ("**TTJV**")	Incorporated	Mongolia	MNT 283,637,000	30%	–	30%	Coal mining services (note 2)

Note 1:

On 25 July 2019, the Company and Xiamen Xiangyu Joint Stock Company Limited ("**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 was 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.

Note 2:

On 3 October 2022, the Company acquired 30% equity interest of TTJV from one of the shareholders of TTJV with the consideration of USD24,000,000. TTJV commenced operation in March 2012 and is mainly engaged in coal mining services in Mongolia. The investment in TTJV enables the Group to extend to the upstream of the integrated supply chain services.

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

18 INTEREST IN ASSOCIATES (CONTINUED)

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

	Xiang Hui Energy		TTJV
	2022	2021	**2022**
	HK$'000	HK$'000	**HK$'000**
Gross amounts of the associate			
Current assets	**4,282,231**	4,030,300	**264,614**
Non-current assets	**13,561**	7,444	**416,762**
Current liabilities	**1,743,791**	1,397,831	**105,605**
Non-current liabilities	**1,063**	–	**–**
Equity	**2,550,938**	2,639,913	**575,771**
Revenue	**11,065,051**	6,783,055	**108,435**
Profit for the year	**276,304**	229,146	**5,987**
Other comprehensive income	**(167,907)**	17,365	**(54,903)**
Total comprehensive income	**108,397**	246,511	**(48,916)**
Reconciled to the Group's interest in the associate			
Gross amounts of net assets of the associate	**2,550,938**	2,639,913	**575,771**
Group's effective interest	**49%**	49%	**30%**
Group's share of net assets of the associate	**1,249,960**	1,293,557	**172,731**
Carrying amount in the consolidated financial statements	**1,249,960**	1,293,557	**172,731**

Aggregate information of associate that is not individually material:

	2022	2021
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	**5,179**	1,320
Aggregate amounts of the Group's share of the associate's		
Loss from continuing operations	**(221)**	(80)
Total comprehensive income	**(221)**	(80)

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19 INTEREST IN JOINT VENTURES

On 8 June 2021, the Group's subsidiary company, Inner Mongolia Haotong, entered into a cooperation agreement with Baotou Steel Mining Co., Ltd. ("**Baotou Steel**") in relation to the formation of a joint venture company namely Baotou Steel Haotong. Pursuant to the agreement, Inner Mongolia Haotong contributed RMB50 million (equivalent to approximately HK$61 million) to Baotou Steel Haotong in form of cash. Following the completion of capital contributions, the Group and Baotou Steel hold 49% and 51% equity interest in Baotou Steel Haotong, respectively. Baotou Steel Haotong commenced operation in August 2021, and is engaged in trading and processing of domestic coking coal in the PRC.

Aggregate information of the joint ventures that was not individually material:

	2022 **HK$'000**	2021 HK$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**75,838**	95,182
Aggregate amounts of the Group's share of the joint ventures'		
Profit from continuing operations	**7,230**	2,634
Other comprehensive income	**(8,022)**	936
Total comprehensive income	**(792)**	3,570

20 OTHER INVESTMENTS IN EQUITY SECURITIES

	31 December 2022 **HK$'000**	31 December 2021 HK$'000
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	**92,235**	106,997

Other investments in equity securities represent the Group's equity interests in third party companies engaged in coal mining, railway logistics, ports management and coal storage business. As at 31 December 2022, the Group holds equity interests in a range of 1-15% in these companies.

The Group designated its investment in those third party companies at FVOCI (non-recycling), as these investments are held for strategic purposes. Changes during the current period represented fair value adjustments on these equity securities based on adjusted net asset method.

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21 OTHER NON-CURRENT ASSETS

The balance at 31 December 2022 represented advance payments for equipment purchase and construction in progress.

22 INVENTORIES

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

	2022 **HK$'000**	2021 HK$'000
Coal	**1,653,434**	2,312,342
Others	**95,882**	89,166
	1,749,316	2,401,508

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

	2022 **HK$'000**	2021 HK$'000
Carrying amount of inventories sold	**29,041,266**	34,759,622
Written down of inventories	**14,025**	273,846
	29,055,291	35,033,468

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23 TRADE AND OTHER RECEIVABLES

	31 December 2022 HK$'000	31 December 2021 HK$'000
Trade debtors and bills receivable, net of loss allowance	**2,671,476**	3,148,669
Other debtors (note i)	**267,716**	485,107
Financial assets measured at amortised cost	**2,939,192**	3,633,776
Deposits and prepayments	**695,544**	907,607
Other tax recoverable	**275,687**	306,884
Derivative financial instruments (note ii)	**132,645**	14,803
	4,043,068	4,863,070

Notes:

(i) Among the other debtors, HK$188,069,000 (2021: HK$468,468,000) represented receivables due from Xianghui Energy arisen from procurement of coals as an agent of Xianghui Energy.

(ii) As at 31 December 2022 and 31 December 2021, 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 2022, bills receivable of the Group of HK$ nil (2021: HK$64,098,000) have been pledged as collateral for the Group's borrowings (see note 26).

At 31 December 2022, bills receivable of the Group of HK$472,429,000 (2021: HK$863,014,000) have been discounted to banks, the Group continued to recognize discounted bills of HK$472,429,000 (2021: HK$863,014,000). With respect to this portion of discounted bills, the Board believed that the Group still retains virtually all its risks and rewards, including the risk of default on discounted bills. Therefore, the Group continued to fully recognised this portion of the discounted instruments. The Group, at the same time, confirmed the related payment due to the bank borrowings generated by discounting the bills. After discounts were transferred, the Group no longer retained any right to use discounted bills, including the sale, transfer or pledge of discounted bills to the third party.

At 31 December 2022, trade debtors and bills receivable of the Group of HK$433,147,000 (2021: HK$282,244,000) have been pledged as collateral for bills payable (see note 29).

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	2022 **HK$'000**	2021 HK$'000
Within 3 months	**2,458,960**	2,615,987
3 to 6 months	**107,416**	465,478
6 to 12 months	**105,100**	67,204
	2,671,476	3,148,669

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

24 RESTRICTED BANK DEPOSITS

The Group has pledged bank deposits of HK$669,520,000 (2021: HK$573,277,000) as at 31 December 2022, as collateral for the Group's borrowings (see note 26) and banking facilities in respect of issuing bills and letters of credit by the Group (see note 29).

25 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2022 **HK$'000**	2021 HK$'000
Cash at bank and on hand	**2,270,966**	3,259,393

At 31 December 2022, cash and cash equivalents of HK$1,517,423,000 (2021: HK$1,577,124,000) were held by the Company's subsidiaries located in the PRC in the form of RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Secured bank loans HK$'000 (Note 26)	Warrants HK$'000 (Note 27)	Other interest-bearing borrowings HK$'000 (Note 30)	Lease liabilities HK$'000 (Note 31)	Total HK$'000
At 1 January 2022	**1,367,660**	**62,763**	**648,289**	**270,849**	**2,349,561**
Changes from financing cash flows:					
Proceeds from bank loans	**11,798,263**	–	–	–	**11,798,263**
Repayment of bank loans	**(12,114,833)**	–	–	–	**(12,114,833)**
Proceeds from interest-bearing borrowings from a associate	–	–	**463,128**	–	**463,128**
Repayment of interest-bearing borrowings from an associate	–	–	**(622,761)**	–	**(622,761)**
Proceeds from shares issued for exercise of warrants	–	**77,210**	–	–	**77,210**
Capital element of finance leases rentals paid	–	–	–	**(179,173)**	**(179,173)**
Interest element of finance leases rentals paid	–	–	–	**(24,929)**	**(24,929)**
Total changes from financing cash flows	**(316,570)**	**77,210**	**(159,633)**	**(204,102)**	**(603,095)**

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities: (continued)

	Secured bank loans HK$'000 (Note 26)	Warrants HK$'000 (Note 27)	Other interest-bearing borrowings HK$'000 (Note 30)	Lease liabilities HK$'000 (Note 31)	Total HK$'000
Exchange adjustments	**(83,415)**	**–**	**(49,812)**	**(75,507)**	**(208,734)**
Changes in fair value	**–**	**8,782**	**–**	**–**	**8,782**
Other changes:					
Increase in lease liabilities from entering into new leases during the year	**–**	**–**	**–**	**472,816**	**472,816**
Exercise of warrants	**–**	**(148,755)**	**–**	**–**	**(148,755)**
Interest expenses (note 7(a))	**–**	**–**	**–**	**24,929**	**24,929**
Total other changes	**–**	**(148,755)**	**–**	**497,745**	**348,990**
At 31 December 2022	**967,675**	**–**	**438,844**	**488,985**	**1,895,504**

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(Expressed in Hong Kong dollars unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities: (continued)

	Secured bank loans HK$'000 (Note 26)	Warrants HK$'000 (Note 27)	Other interest-bearing borrowings HK$'000 (Note 30)	Lease liabilities HK$'000 (Note 31)	Total HK$'000
At 1 January 2021	1,002,266	–	712,868	302,407	2,017,541
Changes from financing cash flows:					
Proceeds from bank loans	23,240,381	–	–	–	23,240,381
Repayment of bank loans	(22,894,992)	–	–	–	(22,894,992)
Proceeds from interest-bearing borrowings from a associate	–	–	126,894	–	126,894
Repayment of interest-bearing borrowings from an associate	–	–	(212,474)	–	(212,474)
Capital element of finance leases rentals paid	–	–	–	(145,485)	(145,485)
Interest element of finance leases rentals paid	–	–	–	(19,120)	(19,120)
Total changes from financing cash flows	345,389	–	(85,580)	(164,605)	95,204

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities: (continued)

	Secured bank loans HK$'000 (Note 26)	Warrants HK$'000 (Note 27)	Other interest-bearing borrowings HK$'000 (Note 30)	Lease liabilities HK$'000 (Note 31)	Total HK$'000
Exchange adjustments	20,005	–	21,001	49,809	90,815
Changes in fair value	–	62,763	–	–	62,763
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	64,118	64,118
Interest expenses (note 7(a))	–	–	–	19,120	19,120
Total other changes	–	–	–	83,238	83,238
At 31 December 2021	1,367,660	62,763	648,289	270,849	2,349,561

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2022 **HK$'000**	2021 HK$'000
Within operating cash flows	**5,794**	6,732
Within financing cash flows	**204,102**	164,605
	209,896	171,337

These amounts relate to the following:

	2022 **HK$'000**	2021 HK$'000
Lease rentals paid	**209,896**	171,337

26 SECURED BANK LOANS

(a) The secured bank loans comprise:

	2022 **HK$'000**	2021 HK$'000
Bank loans	**967,675**	1,367,660

	2022 **HK$'000**	2021 HK$'000
Short-term loans and current portion of long-term loans	**890,260**	1,362,557
Long-term loans	**77,415**	5,103
	967,675	1,367,660

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

26 SECURED BANK LOANS (CONTINUED)

(b) The secured bank loans are repayable as follows:

	2022	2021
	HK$'000	HK$'000
Within 1 year	**890,260**	1,362,557
After 1 year but within 2 years	**71,714**	348
After 2 years	**5,701**	4,755
	967,675	1,367,660

(c) The secured bank loans are analysed as follows:

	2022	2021
	HK$'000	HK$'000
Secured by discounted bills receivable	**472,429**	863,014
Secured by restricted bank deposits, property, plant and equipment and land use rights	**295,105**	218,270
Secured by bills receivable and restricted bank deposits	**69,384**	161,620
Credit guarantee	**130,757**	124,756
	967,675	1,367,660

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 WARRANTS

	Warrants
	HK$'000
At 1 January 2021	–
Fair value adjustment (note 7(a))	62,763
At 31 December 2021	62,763
At 1 January 2022	62,763
Fair value adjustment (note 7(a))	8,782
Exercise of warrants	(71,545)
At 31 December 2022	–

On 14 September 2017, the Company issued 118,060,606 units of warrants to Lord Central Opportunity VII Limited with maturity date on 13 September 2022. 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 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.

28 DEFERRED INCOME

Deferred income represents the unrecognised government grants relating to compensating the Group for the cost of assets.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 TRADE AND OTHER PAYABLES

	31 December 2022 HK$'000	31 December 2021 HK$'000
Trade and bills payables	**2,334,774**	2,724,672
Prepayments from customers	**282,132**	482,860
Payables in connection with construction projects	**37,313**	56,165
Payables for purchase of equipment and motor vehicles	**51,973**	127,143
Payables for staff related costs (note i)	**530,321**	1,020,349
Payables for other taxes	**184,733**	65,563
Derivative financial instruments (note ii)	**166**	–
Dividends payable	**189,661**	199,171
Others	**63,921**	66,326
	3,674,994	4,742,249

Notes:

(i) Included bonus payable to senior management amounting to approximately HK$285,055,000 (2021: HK$698,542,000).

(ii) Derivative financial instruments represent fair value of foreign exchange forward contracts as at 31 December 2022 and 31 December 2021.

The Group's bills payable are analysed as follows:

	2022 HK$'000	2021 HK$'000
Secured by restricted bank deposits, property, plant and equipment and land use rights	**110,213**	183,225
Secured by restricted bank deposits, trade debtors and bills receivable	**921,595**	653,086
Total	**1,031,808**	836,311

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2022 **HK$'000**	2021 HK$'000
Within 3 months	**1,643,650**	2,176,436
More than 3 months but less than 6 months	**167,989**	68,069
More than 6 months but less than 1 year	**494,956**	470,221
More than 1 year	**28,179**	9,946
	2,334,774	2,724,672

30 OTHER INTEREST-BEARING BORROWINGS

Other interest-bearing borrowings represent loans from Xianghui Energy, at 3.65%-3.85% annual interest rate and repayable within 12 months.

31 LEASE LIABILITIES

At 31 December 2022, the lease liabilities were repayable as follows:

	2022 **HK$'000**	2021 HK$'000
Within 1 year	**232,755**	145,485
After 1 year but within 2 years	**175,219**	104,429
After 2 years but within 5 years	**81,011**	20,935
	256,230	125,364
Present value of lease liabilities	**488,985**	270,849

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

31 LEASE LIABILITIES (CONTINUED)

The Group's lease liabilities are analysed as follows:

	2022 **HK$'000**	2021 HK$'000
Secured by Group's property, plant and equipment and land use rights	**180,712**	24,336
Unsecured and unguaranteed	**308,273**	246,513
	488,985	270,849

32 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	2022 **HK$'000**	2021 HK$'000
At 1 January	**501,830**	86,954
Provision for the year (note 8(a))	**288,407**	618,753
Under/(over) -provision in respect of prior years (note 8(a))	**507**	(2,419)
Income tax paid	**(618,132)**	(206,139)
Exchange adjustments	**(32,317)**	4,681
At 31 December	**140,295**	501,830

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	Deferred tax assets in respect of cumulative tax losses HK$'000	Unrealised profits arising from intra-group transactions HK$'000	Credit loss allowance HK$'000	Gains from changes in fair value HK$'000	Written-down of inventory HK$'000	Share of profits of associates and joint ventures HK$'000	Others HK$'000	Total HK$'000
At 1 January 2021	2,107	12,850	8,582	(915)	12,818	(19,127)	(274)	16,041
Charged/(Credited) to profit or loss	(2,107)	(6,220)	8,759	(325)	36,609	217	4,571	41,504
At 31 December 2021 and 1 January 2022	–	6,630	17,341	(1,240)	49,427	(18,910)	4,297	57,545
Charged/(Credited) to profit or loss	–	(66)	17,851	7,373	(47,246)	(11,713)	(11,237)	(45,038)
At 31 December 2022	–	6,564	35,192	6,133	2,181	(30,623)	(6,940)	12,507

Reconciliation to the consolidated statement of financial position

	2022 HK$'000	2021 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**55,207**	78,731
Net deferred tax liability recognised in the consolidated statement of financial position	**(42,700)**	(21,186)
At 31 December	**12,507**	57,545

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of deductible temporary differences and tax losses incurred by the subsidiaries of the Group of HK$1,189,499,000 and HK$164,246,000 respectively (2021: HK$1,202,159,810 and HK$297,063,000 respectively) as management of the Group considers that it is not possible as at 31 December 2022 to estimate, with any degree of certainty, the future taxable profits which may be earned by these subsidiaries. In particular, in accordance with the Group's accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses at 31 December 2022 as the management considers it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses in the PRC established entities of approximately HK$14,707,000, HK$32,384,000, HK$71,444,000, HK$36,308,000, HK$nil and HK$9,403,000 will expire under current tax legislation in 2023, 2024, 2025, 2026, 2027 and after, respectively.

33 PROVISIONS

The movements of provisions are as follows:

	Provision for compensation claim HK$'000 (note)
At 1 January 2022	292,421
Exchange adjustments	428
At 31 December 2022	292,849

Note:

As at 31 December 2021, a provision of US$37.50 million (approximately HK$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 was 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.

As at 31 December 2022, the arbitration procedures have not yet been completed. Based on the progress of the arbitration and the judgment results, and after consulting with the Group's independent legal counsel, the Group continues to make the provision of HK$292,849,000.

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34 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital HK$'000	Employee share trusts HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Treasury shares HK$'000	Accumulated loss HK$'000	Total HK$'000
Balance at 1 January 2022	**5,784,673**	**–**	**(7,005)**	**(5,156)**	**(144,582)**	**(5,204,127)**	**423,803**
Changes in equity for 2022:							
Purchase of own shares (note 34(c))	–	–	–	–	(325,510)	–	(325,510)
Cancellation of repurchased shares (note 34(c))	(272,030)	–	–	–	272,030	–	–
Shares issued for exercise of warrants	148,755	–	–	–	–	–	148,755
Contribution to employee share trusts	–	(44,834)	–	–	–	–	(44,834)
Total comprehensive income for the year	–	–	–	(5,560)	–	3,148,715	3,143,155
Dividends declared (note 34(b)(i))	–	–	–	–	–	(1,040,504)	(1,040,504)
Balance at 31 December 2022	**5,661,398**	**(44,834)**	**(7,005)**	**(10,716)**	**(198,062)**	**(3,095,916)**	**2,304,865**

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(a) Movements in components of equity (continued)

The Company (continued)

	Share capital HK$'000	Employee share trusts HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Treasury shares HK$'000	Accumulated loss HK$'000	Total HK$'000
Balance at 1 January 2021	5,784,673	(6,675)	(8,462)	(31,746)	–	(4,918,786)	819,004
Changes in equity for 2021:							
Purchase of own shares (note 34(c))	–	–	–	–	(144,582)	–	(144,582)
Contribution to employee share trusts	–	(20,625)	–	–	–	–	(20,625)
Grant of restricted share units to employees	–	27,300	1,457	–	–	–	28,757
Total comprehensive income for the year	–	–	–	26,590	–	(91,621)	(65,031)
Dividends declared (note 34(b)(i))	–	–	–	–	–	(193,720)	(193,720)
Balance at 31 December 2021	5,784,673	–	(7,005)	(5,156)	(144,582)	(5,204,127)	423,803

(b) Dividends

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

	2022 HK$'000	2021 HK$'000
Special dividend declared of HK$ nil per ordinary share (2021: HK$0.064)	**–**	193,720
Interim dividend declared of HK$0.061 per ordinary share (2021: nil)	**174,943**	–
Final dividend proposed after the end of the reporting period of HK$0.084 per ordinary share (2021: HK$0.302)	**240,611**	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.

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34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	2022 No. of shares '000	2021 No of shares '000
Authorised:		
Ordinary shares with no par value	**6,000,000**	6,000,000

	2022		2021	
	No. of shares '000	**HK$'000**	No. of shares '000	HK$'000
Ordinary shares, issued and fully paid:				
Existing shares at 1 January	**3,026,883**	**5,784,673**	3,026,883	5,784,673
Issued shares for exercise of warrants	**118,060**	**148,755**	–	–
Cancellation of repurchased shares (note i)	**(277,020)**	**(272,030)**	–	–
At 31 December	**2,867,923**	**5,661,398**	3,026,883	5,784,673

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

Notes:

(i) Cancellation of repurchased shares

During the year ended 31 December 2022, the Company cancelled in aggregate of 277,020,000 (2021: 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**"). On 6 January 2022, the Group approved the adoption of the 2022 restricted share unit scheme (the "**2022 RSU Scheme**") given the existing restricted share unit scheme is expiring on 11 June 2022. The 2022 RSU Scheme shall be valid and effective for a period of 10 years commencing from the date of adoption of the 2022 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 2022, no RSU Award had been granted to certain grantees pursuant to the RSU Scheme. During the year ended 31 December 2021, the Company granted certain RSU Awards in respect of an aggregate of 72,123,434 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.

During the year ended 31 December 2021,the fair value of the granted ordinary shares was HK$28,757,000 based on the quoted price of the Company's shares on the grant date, of which HK$27,300,000 was credited to the employee share trusts based on the weighted average cost of the granted ordinary shares, and the balance of HK$1,457,000 was credited to the other reserve in accordance with the policy set out in note 2(r)(ii).

In addition, the Company has repurchased on-market in aggregate 33,728,878 of its own shares (2021: 51,401,230 shares) at a cash consideration of HK$44,834,000 (2021: HK$20,625,000) under the RSU Scheme during the year ended 31 December 2022.

Notes to the financial statements

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34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Other reserve

The other reserve comprises the following:

– the aggregate amount of paid-in capital or share capital of the companies now comprising the Group after elimination of the investments in subsidiaries and the changes in equity arisen from the acquisition of non-controlling interests.

– the net loss on purchase of non-controlling interest in a subsidiary; and

– the fair value of unexercised share options granted to employees of the Company at the grant date that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(r)(ii).

(ii) Statutory reserve

Pursuant to the Articles of Association of the companies comprising the Group in the PRC, appropriations to the statutory reserve were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the respective companies comprising the Group. During the year ended 31 December 2022, amounts in retained earnings of HK$63,720,000 (2021: HK$146,829,000) were transferred from retained earnings to the statutory reserve.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which are dealt with in accordance with the accounting policies as set out in note 2(v).

Notes to the financial statements

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34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iv) Treasury shares

During the year ended 31 December 2022, the Company has repurchased on-market own shares in aggregate of 239,108,000 shares (2021: 163,560,000 shares) at a cash consideration of HK$325,510,000 (2021: HK$144,582,000).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see note 2(g)).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes secured bank loans, other interest-bearing borrowings, lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2022 and 2021 was as follows:

	Note	**31 December 2022 HK$'000**	31 December 2021 HK$'000
Current liabilities:			
– Secured bank loans	26	**890,260**	1,362,557
– Other interest-bearing borrowings		**438,844**	648,289
– Lease liabilities	31	**232,755**	145,485
		1,561,859	2,156,331
Non-current liabilities:			
– Secured bank loans	26	**77,415**	5,103
– Lease liabilities	31	**256,230**	125,364
Total debt		**1,895,504**	2,286,798
Add: Proposed dividends	34(b)	**174,943**	193,720
Less: Cash and cash equivalents	25	**(2,270,966)**	(3,259,393)
Adjusted net debt		**(200,519)**	(778,875)
Total equity		**7,198,870**	7,476,278
Less: Proposed dividends	34(b)	**(174,943)**	(193,720)
Adjusted capital		**7,023,927**	7,282,558
Adjusted net debt-to-capital ratio		**(3)%**	(11)%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and bills receivables. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk. Management has had a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade and bills receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 20% (2021: 34%) and 68% (2021: 62%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade and bills receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables as at 31 December 2022.

	2022		
	Expected loss rate %	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Current (not past due)	**0.15%**	**1,798,059**	**(2,647)**
1 – 180 days past due	**22.71%**	**5,833**	**(1,325)**
More than 180 days past due	**100.00%**	**39,411**	**(39,411)**
		1,843,303	**(43,383)**

	2021		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	1.28%	1,948,665	(24,885)
1 – 180 days past due	60.02%	19,093	(11,460)
More than 180 days past due	100.00%	39,782	(39,782)
		2,007,540	(76,127)

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade and bills receivables (continued)

Movement in the loss allowance account in respect of trade and bills receivables during the year is as follows:

	2022	2021
	HK$'000	HK$'000
Adjusted balance at 1 January	**76,328**	55,292
Provision of impairment loss	**29,454**	21,031
Exchange adjustments	**(17)**	5
Balance at 31 December	**105,765**	76,328

The Group had recorded an impairment loss of HK$62,198,000 (2021: nil) to trade and bills receivables on an individual basis in 2022.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it 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.

The following table shows the remaining contractual maturities at the end the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

	2022 Contractual undiscounted cash outflow					2021 Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount at 31 December**	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Secured bank loans	**902,746**	**78,236**	**5,861**	**986,843**	**967,675**	1,362,557	348	4,755	1,367,660	1,367,660
Trade and other payables (excluding prepayments from customers)	**3,392,862**	**–**	**–**	**3,392,862**	**3,392,862**	4,259,388	–	–	4,259,388	4,259,388
Other interest-bearing borrowings	**438,853**	**–**	**–**	**438,853**	**438,844**	648,289	–	–	648,289	648,289
Lease liabilities	**258,698**	**187,189**	**82,726**	**528,613**	**488,985**	155,094	107,039	21,005	283,138	270,849
	4,993,159	**265,425**	**88,587**	**5,347,171**	**5,288,366**	6,425,328	107,387	25,760	6,558,475	6,546,186

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings.

Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2022		2021	
	Interest rate		Interest rate	
	%	**HK$'000**	%	HK$'000
Fixed rate borrowings:				
Lease liabilities	**5.00% – 7.50%**	**488,985**	5.00% – 7.30%	270,849
Bank loans	**1.40% – 8.90%**	**967,675**	0.70% – 11.35%	1,367,660
Other interest-bearing borrowings	**3.65% – 3.85%**	**438,844**	3.85%	648,289
		1,895,504		2,286,798

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, cash balances and bank loans that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. The Group manages this risk as follows:

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Most of the Group's borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

Exposure to foreign currency (expressed in HK$)

	2022						2021			
	US$	**RMB**	**SGD**	**HKD**	**JPY**	**MNT**	US$	RMB	SGD	MNT
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Cash and cash equivalents	**154,474**	**473,720**	**4,255**	**201,832**	**1,003**	**–**	1,631,037	1,587,278	1,324	7,357
Trade and other receivables	**6,309**	**301,103**	**–**	**–**	**–**	**–**	844,516	1,145,555	–	378,402
Trade and other payables	**(287,191)**	**(192,054)**	**–**	**–**	**–**	**(43)**	(571,980)	(1,935,912)	–	(445,255)
Bank loans	**(46,781)**	**(64,264)**	**–**	**(5,226)**	**–**	**–**	(15,596)	(382,027)	–	–
Net exposure arising from recognised assets and liabilities	**(173,189)**	**518,505**	**4,255**	**196,606**	**1,003**	**(43)**	1,887,977	414,894	1,324	(59,496)

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated loss) and other components of consolidated equity that would arise if foreign exchange rate to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2022		2021	
	Increase/ (decrease) in foreign exchange rate	**Increase/ (decrease) in loss after tax and accumulated loss HK$'000**	Increase/ (decrease) in foreign exchange rate	(Decrease)/ increase in loss after tax and accumulated loss HK$'000
US$	**5%**	**(7,374)**	5%	83,976
	(5)%	**7,374**	(5)%	(83,976)
RMB	**5%**	**21,770**	5%	15,642
	(5)%	**(21,770)**	(5)%	(15,642)
SGD	**5%**	**212**	5%	58
	(5)%	**(212)**	(5)%	(58)
HKD	**5%**	**8,468**	5%	–
	(5)%	**(8,468)**	(5)%	–
MNT	**5%**	**(2)**	5%	(4,269)
	(5)%	**2**	(5)%	4,269
JPY	**5%**	**35**	5%	–
	(5)%	**(35)**	(5)%	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss/profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis (continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2022.

(e) Fair values measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

2022

	Fair value at 31 December 2022 HK$'000	Fair value measurements as at 31 December 2022 categorised into		
		Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Assets:				
Derivative financial instruments:				
– Commodity futures contracts	**132,645**	**132,645**	**–**	**–**
Unlisted equity securities				
– Other investment in equity securities	**92,235**	**–**	**–**	**92,235**
Liabilities:				
Derivative financial instruments:				
– Forward foreign exchange contracts	**166**	**–**	**166**	**–**

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

2021

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
Assets:				
Derivative financial instruments:				
– Commodity futures contracts	14,803	14,803	–	–
Unlisted equity securities				
– Other investment in equity securities	106,997	–	–	106,997
Liabilities:				
Derivative financial instruments:				
– Warrants	62,763	–	–	62,763

During the years ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements

	Valuation techniques 2022 HK$'000	**Unobservable input 2022 HK$'000**	**Range 2022 HK$'000**
Unlisted equity securities	**Adjusted net assets method**	**Marketability discount**	**10%**

	Valuation techniques 2021 HK$'000	Unobservable input 2021 HK$'000	Range 2021 HK$'000
Convertible bonds payables – warrants	Binomial Tree Approach	Expected volatility	15%-30%
Unlisted equity securities	Adjusted net assets method	Marketability discount	10%

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements (continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2022 **HK$'000**	2021 HK$'000
Unlisted equity securities:		
At 1 January	**106,997**	106,164
Transferred into Level 3	**–**	5,255
Net unrealised gains or losses recognised in other comprehensive income during the period	**(14,762)**	(4,422)
At 31 December	**92,235**	106,997
Warrants:		
At 1 January	**62,763**	–
Changes in fair value recognised in profit or loss during the period	**8,782**	62,763
Exercise of warrants	**(71,545)**	–
At 31 December	**–**	62,763
Total loss for the period included in profit or loss for assets held at the end of the reporting period	**8,782**	62,763

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

The gains or losses arising from the remeasurement of the warrants are presented in the "net finance cost" line item in the consolidated statement of profit or loss.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

36 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the year.

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9, and certain of the highest paid employees as disclosed in note 10, is as follows:

	2022 **HK$'000**	2021 HK$'000
Short-term employee benefits	**326,725**	736,553
Post-employment benefits	**581**	490

The remuneration is included in "staff costs" (see note 7(b)).

(b) Material related party transactions

During the year, the Group entered into the following material related party transactions:

	2022 **HK$'000**	2021 HK$'000
Sales of products to an associate and a joint venture	**3,366,787**	2,609,992
Rendering of integrated supply chain services to associates and a joint venture	**2,426,931**	745,797
Purchase of products from an associate and a joint venture	**14,328**	55,587
Interest on other interest-bearing borrowings from an associate	**20,688**	27,153

The directors of the Group is of the opinion that the above related party transactions were conducted on normal commercial terms and in accordance with the agreements governing such transactions.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

36 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party balances

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

	2022 **HK$'000**	2021 HK$'000
Other interest-bearing borrowings from an associate	**438,844**	648,289
Trade receivables due from an associate and a joint venture	**476,508**	354,249
Other receivables due from an associate	**188,069**	468,468

37 COMMITMENTS

Capital commitments outstanding at 31 December 2022 not provided for in the financial statements are as follows:

	At 31 December **2022** **HK$'000**	At 31 December 2021 HK$'000
Authorised but not contracted for	**296,116**	326,922
Contracted for	**225,503**	244,600
	521,619	571,522

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment, net		**672**	1,055
Intangible assets		**64,176**	68,645
Interests in subsidiaries	17	**2,888,177**	2,411,956
Total non-current assets		**2,953,025**	2,481,656
Current assets			
Trade and other receivables		**576**	776
Cash and cash equivalents		**32,603**	25,852
Total current assets		**33,179**	26,628
Current liabilities			
Trade and other payables		**681,339**	2,021,718
Warrants	27	**–**	62,763
Total current liabilities		**681,339**	2,084,481
Net current liabilities		**(648,160)**	(2,057,853)
NET ASSETS		**2,304,865**	423,803
CAPITAL AND RESERVES			
Share capital	34(c)	**5,661,398**	5,784,673
Reserves		**(3,356,533)**	(5,360,870)
TOTAL EQUITY		**2,304,865**	423,803

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

39 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 34(b).

40 IMMEDIATE AND ULTIMATE CONTROLLING SHAREHOLDERS

At 31 December 2022, the directors of the Company consider the immediate parent and ultimate controlling party of the Group to be Famous Speech Limited and Ms. Wang respectively. Famous Speech Limited is incorporated in the British Virgin Islands and does not produce financial statements available for public use.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 17, Insurance Contracts	1 January 2023
Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies	1 January 2023
Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates	1 January 2023
Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Definitions

In this annual report, unless the context requires otherwise, the following expressions have the following meanings:

"2012 RSU Scheme"	the restricted share units scheme and its amendments approved and adopted by the Shareholders at its annual general meetings of the Company held on 11 June 2012 and 27 June 2018, respectively
"2022 RSU Scheme"	the 2022 restricted share unit scheme adopted by the Company, as amended from time to time
"Articles of Association" or "Articles"	the articles of association of our Company as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	our board of Directors
"BVI"	the British Virgin Islands
"CFP Scheme"	the Central Provident Fund, a compulsory comprehending savings and pension plan for working Singaporeans and permanent residents primarily to fund their retirement, healthcare, and housing needs in Singapore
"CG Code"	the Corporate Governance Code as set out in Appendix 14 the Listing Rules
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and the "PRC" do not include Taiwan, the Macau Special Administrative Region and Hong Kong
"Company", "our Company", "we" or "us"	E-Commodities Holdings Limited (易大宗控股有限公司), formerly known as "Winsway Enterprises Holdings Limited (永暉實業控股股份有限公司)", a company incorporated under the laws of the BVI with limited liability on 17 September 2007 and, except where the context indicates otherwise, including our subsidiaries
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Convertible Bonds"	the 5% convertible bonds in an aggregate principal amount of US$40 million issued by the Company on 14 September 2017

Definitions

"Director(s)"	the director(s) of our Company
"E-Commodities Products"	the products mainly comprising coal, petrochemical products, iron ores and other bulk commodities to be supplied by the Group to Xiamen Xiangyu under the Mutual Supply Framework Agreement
"E-Commodities Services"	the services mainly comprising the integrated supply chain services and other services to be supplied by the Group to Xiamen Xiangyu under the Mutual Supply Framework Agreement
"ESG"	Environmental, Social, and Governance
"Group" or "our Group"	our Company and its subsidiaries
"Famous Speech"	Famous Speech Limited, a company incorporate under BVI laws with limited liability, the controlling shareholder of the Company which is owned as to 73.3% and 26.7% by Ms. Wang and Magnificent Gardenia, respectively
"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 and a wholly-owned subsidiary of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (as amended from time to time)
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by International Accounting Standards Board (the "**IASB**") and the International Accounting Standards ("**IAS**") and Standing interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect
"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 with limited liability on 4 June 2019 and our indirectly wholly-owned subsidiary

Definitions

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Magnificent Gardenia"	Magnificent Gardenia Limited, a company incorporated under the BVI laws with limited liability
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company as amended from time to time
"Model Code"	Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
"MPF Scheme"	the Mandatory Provident Fund, a company saving scheme for the retirement of residents in Hong Kong
"Ms. Wang"	Ms. Wang Yihan (王奕涵女士), our ultimate controlling shareholder
"Mutual Supply Framework Agreement"	the products and services mutual supply framework agreement entered into between the Company and Xiangyu Joint Stock in respect of the mutual supply of E-Commodities Products and Xiangyu Products, and the provision of E-Commodities Services and Xiangyu Services for a term of 3 years commencing from 1 January 2022
"RMB"	Renminbi, the lawful currency of the PRC
"RSU(s)"	means a unit equivalent in value to a Share credited by means of a bookkeeping entry in the participant's accounts, which gives a participant under the 2012 RSU Scheme or 2022 RSU Scheme (as the case may be) a conditional right when RSU Award vests to obtain either a Share or an equivalent value in cash with reference to the value of a Share on or about the date of vesting, as determined by the Board in its absolute discretion
"RSU Award(s)"	a restricted share unit granted to a participant under the 2012 RSU Scheme and 2022 RSU Scheme (as the case may be)

Definitions

"SFO"	the Securities and futures Ordinance (Chapter 571 of the Laws of Hong Kong)(as amended from time to time)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	ordinary share(s) with no par value of the Company
"Shareholders"	holders of the Shares
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Trust"	the trust or trusts declared by this Trust Deed
"Trust Deed"	a trust deed entered into between the Company as the settlor and the Trustee as the trustee in respect of the appointment of the Trustee for the administration of the 2022 RSU Scheme (as restated, supplemented and amended from time to time)
"Trustee"	Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong, or other trustee or trustees for the time being of the Trust appointed pursuant to the provisions of this Trust Deed
"TTJV"	TTVJ Co., Ltd., a company incorporated in Mongolia and owned as to 30% by the Company through its subsidiary
"United States", "US" or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$", "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"Warrants"	118,060,606 unlisted warrants of the Company entitling the registered holders thereof to subscribe for Shares
"Warrants Instrument"	the instrument to be executed by the Company by way of a deed poll constituting the Warrants
"Warrant Shares"	new Share(s) to be allotted and issued by the Company upon the exercise of the Warrant Subscription Rights
"Warrant Subscription Price"	he subscription price per Warrant Share and initially at HK$0.99 per Warrant Share (subject to adjustments)

Definitions

"Warrant Subscription Rights"	the rights of the Warrantholder represented by the Warrants to subscribe for Shares pursuant to the Warrants
"Warrantholder"	Star-trinity Profits Limited, a company incorporated in the British Virgin Island with Limited Liabilities
"Winsway Group"	the group of companies owned and/or controlled by Mr. Wang Xingchun and/or his associates which is not a member of the Group
"Winsway Resources"	Winsway Resources Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 31 December 2009 and owned as to approximately 50% each by Mr. Wang Xingchun and his spouse, Ms. Bai Jianping
"Xiamen Xiangyu"	Xiangyu Joint Stock and its subsidiaries
"Xianghui Energy"	Xianghui Energy (Xiamen) Co., Ltd.* (象暉能源(廈門)有限公司), a company incorporated under the laws of the PRC on 6 August 2019, which is indirectly owned as to 49% and 51% by the Company and Xiamen Xiangyu, respectively. Xianghui Energy mainly engages in trading of Mongolian coal in the PRC
"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 on 23 May 1977, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600057.SH)
"Xiangyu Logistics"	Xiamen Xiangyu Logistics Group Co., Ltd.* (廈門象嶼物流集團有限責任公司), a company established under the laws of the PRC and a subsidiary of Xiangyu Joint Stock
"Xiangyu Products"	the products mainly comprising petrochemical products, Mongolian coal, domestic coal, and a small amount of iron ores to be supplied by Xiamen Xiangyu to the Group under the Mutual Supply Framework Agreement
"Xiangyu Services"	the services mainly comprising full suite door-to-door logistics services in relation to international and domestic ports terminal services and bulk warehouse storage to be supplied by Xiamen Xiangyu to the Group under the Mutual Supply Framework Agreement

* *For identification purpose only*

Five-Year Financial Summary

	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Revenue	**34,414,254**	41,183,601	21,977,308	30,051,788	32,817,456
Profit/(loss) before taxation	**2,038,844**	4,069,623	552,225	324,958	923,713
Income tax	**(333,952)**	(574,830)	(99,678)	(12,155)	(30,687)
Profit/(loss) for the year	**1,704,892**	3,494,793	452,547	312,803	893,026
Attributable to:					
Equity shareholders of the Company	**1,665,748**	3,462,244	462,364	312,404	879,772
Non-controlling interests	**39,144**	32,549	(9,817)	399	13,254
Profit/(loss) for the year	**1,704,892**	3,494,793	452,547	312,803	893,026
Total assets	**13,294,192**	15,447,993	8,692,437	9,322,561	7,790,317
Total liabilities	**6,095,322**	7,971,715	4,881,824	6,180,827	4,669,193
Non-controlling interests	**280,156**	249,057	(116,140)	(119,658)	(124,257)
Total equity attributable to equity shareholders of the Company	**6,918,714**	7,227,221	3,926,753	3,261,392	3,245,381

Company Information

BOARD MEMBERS

Executive Directors

Cao Xinyi (Chairman)
Wang Yaxu
Di Jingmin
Zhao Wei

Non-executive Director

Guo Lisheng

Independent Non-executive Directors

Ng Yuk Keung
Wang Wenfu
Gao Zhikai

AUDIT COMMITTEE

Chairman

Ng Yuk Keung

Member

Wang Wenfu
Gao Zhikai

REMUNERATION COMMITTEE

Chairman

Wang Wenfu

Member

Cao Xinyi
Ng Yuk Keung

NOMINATION COMMITTEE

Chairman

Gao Zhikai

Member

Ng Yuk Keung
Di Jingmin

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Chairman

Di Jingmin

Member

Wang Wenfu
Gao Zhikai

Company Information

COMPANY SECRETARY

Chen Xiuzhu

CHIEF FINANCIAL OFFICER

Ren Haiyan

LEGAL COUNSEL

Baker & McKenzie

AUDITORS

KPMG
Public Interest Entity Auditor
registered in accordance with the Financial Reporting Council Ordinance

REGISTERED OFFICE IN THE BVI

Nerine Trust Company (BVI) Limited,
Nerine Chambers,
PO Box 905,
Road Town, Tortola
BVI

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 706, Tower B, Tianrun Fortune Center, No. 58, Dongzongbu Hutong. Dongcheng District, Beijing, 100005 PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1902, Floor 19,
Far East Finance Centre,
16 Harcourt Road,
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

BNP Paribas
ING Bank N.V.
DBS Bank
CITIC Bank
Rabo Bank

WEBSITE

www.e-comm.com

HKEX STOCK CODE

1733