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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)

FURTHER REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

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References are made to the announcements of the Company dated 31 December 2021 (the “**CCT Announcement**”) and 26 October 2023 (the “**Annual Cap Revision Announcement**”), in respect of, among other things, the entering of the Mutual Supply Framework Agreement and the revision of annual caps for E-Commodities Services Transaction thereunder. Under the terms of the Mutual Supply Framework Agreement, the Group agreed to supply E-Commodities Products and provide E-Commodities Services to Xiamen Xiangyu, and Xiamen Xiangyu agreed to supply Xiamen Xiangyu Products and provide Xiamen Xiangyu Services to the Group, for a term commencing from 1 January 2022 and ending on 31 December 2024.

Due to the reasons set out in the section headed “**REASONS FOR AND BENEFIT OF THE FURTHER REVISION OF ANNUAL CAPS**” below, the Board envisages that the original annual caps for E-Commodities Services Transactions for the years ending 31 December 2023 and 2024 will be insufficient, and resolved to further revise the relevant annual caps.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Xiangyu Joint Stock is a substantial shareholder of Inner Mongolia E-35 and Haotong Environmental Technology, both of which 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 transactions contemplated under the Mutual Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company intends to revise annual caps for continuing connected transactions, the Company will be required to re-comply with relevant provisions of Chapter 14A of the Listing Rules in respect of the relevant continuing connected transactions.

As (i) one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the aggregated annual caps (taking into account of the Further Revised Annual Caps) for continuing connected transactions under the Mutual Supply Framework Agreement are more than 5%; (ii) the Board has approved the Mutual Supply Framework Agreement and the Further Revised Annual Caps; and (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Mutual Supply Framework Agreement (together with the Further Revised Annual Caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the Mutual Supply Framework Agreement are therefore subject to the reporting, announcement and annual review requirements only but exempt from the circular, independent financial advisors' advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

A. FURTHER REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 31 December 2021 (the “**CCT Announcement**”) and 26 October 2023 (the “**Annual Cap Revision Announcement**”), in respect of, among other things, the entering of the Mutual Supply Framework Agreement and the revision of annual caps for E-Commodities Services Transaction thereunder. Under the terms of the Mutual Supply Framework Agreement, the Group agreed to supply E-Commodities Products and provide E-Commodities Services to Xiamen Xiangyu, and Xiamen Xiangyu agreed to supply Xiamen Xiangyu Products and provide Xiamen Xiangyu Services to the Group, for a term commencing from 1 January 2022 and ending on 31 December 2024.

As set out in the Annual Cap Revision Announcement, due to the import volume of Mongolian coal having been increasing since 2023, which has been driving the demand of the Group's integrated supply chain service business and in turn significantly increased the provision of the logistics services and other services including storage, transportation, washing and processing services by the Group to Xiamen Xiangyu, the Board resolved to revise the annual caps for E-Commodities Services Transaction from HK\$3,990 million to HK\$5,585 million for the year ending 31 December 2023 and from HK\$5,187 million to HK\$7,537 million for the year ending 31 December 2024, respectively.

In order to satisfy the demand of further relevant services as aforesaid between the Group and Xiamen Xiangyu during the remaining term of the Mutual Supply Framework Agreement, the transaction volume will further increase in relation to provision of E-Commodities Services by the Group to Xiamen Xiangyu under the Mutual Supply Framework Agreement, for which the

Board envisages that the Previous Revised Annual Caps will not be sufficient to fulfil the amount of relevant E-Commodities Services Transactions that may take place under the Mutual Supply Framework Agreement for the years ending 31 December 2023 and 2024. On 27 December 2023, the Board approved to further revise the annual caps for E-Commodities Services Transactions.

Pricing and other terms

The terms of the Mutual Supply Framework Agreement have not been changed or modified in any way and the major terms (including the pricing terms) are set out in the section headed “MUTUAL SUPPLY FRAMEWORK AGREEMENT” in the CCT Announcement.

Historical transactions amount

The table below sets out the historical transactions amount for E-Commodities Services Transactions for the year ended 31 December 2022 and for the eleven months ended 30 November 2023, respectively.

	Historical transactions amount	
	For the year ended 31 December 2022	For the eleven months ended 30 November 2023
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
	<i>(audited)</i>	<i>(unaudited)</i>
E-Commodities Services Transactions	2,426	4,830

Further revised annual caps

The table below sets out the original annual caps, Previous Revised Annual Caps and Further Revised Annual Caps for E-Commodities Services Transactions for the years ending 31 December 2023 and 2024, respectively.

	Annual caps					
	For the year ending 31 December 2023 <i>(HK\$ million)</i>			For the year ending 31 December 2024 <i>(HK\$ million)</i>		
	Original annual cap	Previous Revised Annual Cap	Further Revised Annual Cap	Original annual cap	Previous Revised Annual Cap	Further Revised Annual Cap
E-Commodities Services Transactions	3,990	5,585	6,100	5,187	7,537	9,194

The Board further confirms that, as at the date of this announcement, the Previous Revised Annual Caps for transactions under the Mutual Supply Framework Agreement have not yet been exceeded. The Company will continue to closely monitor the implementation of the Mutual Supply Framework Agreement and take prompt actions to make necessary disclosure, if and when appropriate, in the event that any further adjustment to the annual caps under the Mutual Supply Framework Agreement becomes foreseeable.

The Further Revised Annual Caps are determined with reference to: (i) the estimated increase of E-Commodities Services to be provided by the Group, taking into account the growth in the Group's business and the fluctuation of transportation prices in the market during the remaining term of the Mutual Supply Framework Agreement; and (ii) the historical transactions amount, in particular, the historical transactions amount for the eleven months ended 30 November 2023 for E-Commodities Services Transactions.

B. REASON FOR AND BENEFIT OF THE FURTHER REVISION OF ANNUAL CAPS

The Board has been carefully monitoring the performance of the Mutual Supply Framework Agreement. Since 2023, the import volume of Mongolian coal has been increasing, with the price of Mongolian coal rising steadily since the second half of the year, and the Group's integrated supply chain service business has maintained continuous growth. For the nine months ended 30 September 2023, the Group's provision of logistics services and other services, including storage, transportation, washing and processing services to Xiamen Xiangyu reached the transaction amount of HK\$3,738 million, and the original annual caps for E-Commodities

Services Transactions would not be sufficient to meet the growth of business transactions. Therefore, on 26 October 2023, the Group revised the annual caps for E-Commodities Services Transactions accordingly.

Since November 2023, as winter storage season approaches, downstream steel mills have again released the demand for inventory replenishment, leading to simultaneous increase in the import volume of Mongolian coal and subsequently the transportation prices from Chaganhada, Mongolia to Gants Mod port, China (the “**Trans-Mongolian Short Route**”). From late November to early December in 2023, the transportation prices for the Trans-Mongolian Short Route increased significantly with the daily average unit price tripled the amount from approximately RMB200 per ton for the ten months ended 31 October 2023. The increase in both the import volume of Mongolian coal and transportation prices exceeded the Company’s anticipated range in respect of the transaction amount, and the reasons for such an increase were unforeseeable and beyond the Company’s control. Such an increase consequently contributed to the significant increase in the transaction amount for E-Commodities Services Transactions.

For the eleven months ended 30 November 2023, the Group’s provision of logistics services and other services, including storage, transportation, washing and processing services to Xiamen Xiangyu reached the transaction amount of HK\$4,830 million, and the Previous Revised Annual Caps would not be sufficient to meet the growth of business transactions. The Group decided to further revise the annual caps for E-Commodities Services Transactions after fully considering the business growth and the fluctuation of transportation prices in the market during the remaining term of the Mutual Supply Framework Agreement, with a view to achieve stronger and closer integration of trading and logistics resources and further enhance market competitiveness.

The Mutual Supply Framework Agreement and the Further Revised Annual Caps have been reviewed and approved by the Board and none of the Directors has material interests in the transactions contemplated under the Mutual Supply Framework Agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the Mutual Supply Framework Agreement are on normal commercial terms, and the transactions contemplated thereunder (together with the Further Revised Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Xiangyu Joint Stock is a substantial shareholder of Inner Mongolia E-35 and Haotong Environmental Technology, both of which 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 transactions contemplated under the Mutual Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company intends to revise annual caps for continuing connected transactions, the Company will be required to re-comply with relevant provisions of Chapter 14A of the Listing Rules in respect of the relevant continuing connected transactions.

As (i) one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the aggregated annual caps (taking into account of the Further Revised Annual Caps) for continuing connected transactions under the Mutual Supply Framework Agreement are more than 5%; (ii) the Board has approved the Mutual Supply Framework Agreement and the Further Revised Annual Caps; and (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Mutual Supply Framework Agreement (together with the Further Revised Annual Caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the Mutual Supply Framework Agreement are therefore subject to the reporting, announcement and annual review requirements only but exempt from the circular, independent financial advisors' advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

D. INTERNAL CONTROLS

The independent non-executive Directors will 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 will conduct 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.

E. INFORMATION ON THE PARTIES

The Company

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

Xiangyu Joint Stock

Xiangyu Joint Stock is a state-owned enterprise owned by Xiamen Xiangyu Group Co., Ltd.* (廈門象嶼集團有限公司) and its shares are listed on the main board of the Shanghai Stock Exchange. Xiangyu Joint Stock is principally engaged in commodities trading, related logistics

services, and the development and operation of logistics platforms (parks). Xiangyu Joint Stock is ultimately controlled by the stated-owned assets supervision and administration commission of the People's Government of Xiamen City.

F. DEFINITION

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

“Board”	the board of Directors
“Company”	E-Commodities Holdings Limited, a limited liability company incorporated in the British Virgin Islands, the shares of which are listed and traded on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“E-Commodities Products”	coal, petrochemical products, iron ores and other bulk commodities to be supplied by the Company and/or its subsidiaries to Xiangyu Joint Stock and/or its subsidiaries under the Mutual Supply Framework Agreement and the relevant Sale Contract
“E-Commodities Services”	the integrated supply chain services and other services to be supplied by the Company and/or its subsidiaries to Xiangyu Joint Stock and/or its subsidiaries under the Mutual Supply Framework Agreement and the relevant Service Contract, including, among others, coal related storage, transportation, washing and processing services and consulting services
“E-Commodities Service Transaction(s)”	the provision of the integrated supply chain services and other services by the Group to Xiamen Xiangyu pursuant to the Mutual Supply Framework Agreement
“Further Revised Annual Cap(s)”	the further revised annual cap(s) for E-Commodities Service Transactions under the Mutual Supply Framework Agreement for the years ending 31 December 2023 and 2024
“Group”	the Company and its subsidiaries

“Haotong Environmental Technology”	Inner Mongolia Haotong Environmental Technology Co., Ltd.* (內蒙古浩通環保科技有限公司), a company established under the laws of the PRC, which is indirectly owned as to 80% by the Company and 20% by Xiangyu Joint Stock, respectively
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Inner Mongolia E-35”	Inner Mongolia E-35 Technology Co., Ltd.* (內蒙古易至科技股份有限公司), a company established under the laws of the PRC, which is indirectly owned as to 80% by the Company and 20% by Xiangyu Joint Stock, respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Mutual Supply Framework Agreement”	the products and services mutual supply framework agreement dated 31 December 2021 entered into between the Company and Xiamen Xiangyu in respect of the Sale Transaction(s), Procurement Transaction(s), E-Commodities Services Transaction(s) and Xiamen Xiangyu Service Transaction(s) for a term from 1 January 2022 to 31 December 2024
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Revised Annual Cap(s)”	the revised annual cap(s) for E-Commodities Service Transactions under the Mutual Supply Framework Agreement for the years ending 31 December 2023 and 2024, the details of which is set out in the Annual Cap Revision Announcement
“Procurement Transaction(s)”	the supply of the Xiamen Xiangyu Products by Xiamen Xiangyu to the Group pursuant to the Mutual Supply Framework Agreement from time to time during the term thereof

“Purchase Contract”	each separate purchase agreement and/or order in respect of the Procurement Transaction(s) entered into between the Company and/or its subsidiaries and Xiangyu Joint Stock and/or its subsidiaries, the terms of which are determined in accordance with those under the Mutual Supply Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Contract”	each separate sale agreement and/or order in respect of the Sale Transaction(s) entered into between the Company and/or its subsidiaries and Xiangyu Joint Stock and/or its subsidiaries, the terms of which are determined in accordance with those under the Mutual Supply Framework Agreement
“Sale Transaction(s)”	the supply of the E-Commodities Products by the Group to Xiamen Xiangyu pursuant to the Mutual Supply Framework Agreement from time to time during the term thereof
“Service Contract”	each separate service agreement and/or order in respect of the E-Commodities Services Transactions entered into between the Company and/or its subsidiaries and Xiangyu Joint Stock and/or its subsidiaries, the terms of which are determined in accordance with those under the Mutual Supply Framework Agreement
“Share(s)”	ordinary share(s) of the Company with no par value
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiamen Xiangyu”	Xiangyu Joint Stock and its subsidiaries
“Xiamen Xiangyu Products”	coal, petrochemical products, iron ores and other products to be supplied by Xiangyu Joint Stock and/or its subsidiaries to the Company and/or its subsidiaries under the Mutual Supply Framework Agreement and the relevant Purchase Contract

“Xiamen Xiangyu Service Transaction(s)”	the provision of the integrated supply chain services and other services, including, among others, the bulk commodities related storage, transportation, wash and processing services and consulting services by Xiamen Xiangyu to the Group pursuant to the Mutual Supply Framework Agreement from time to time
“Xiangyu Joint Stock”	Xiamen Xiangyu Joint Stock Company Limited* (廈門象嶼股份有限公司), a state-owned enterprise incorporated under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600057.SH)
“%”	per cent.

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

Hong Kong, 27 December 2023

As at the date of this announcement, the executive directors of the Company are Ms. Cao Xinyi, Mr. Wang Yaxu, Mr. Zhao Wei and Ms. Chen Xiuzhu; the non-executive director of the Company is Mr. Jin Zhiqiang; and the independent non-executive directors of the Company are Mr. Ng Yuk Keung, Mr. Wang Wenfu and Mr. Gao Zhikai.

* *For identification purposes only*