



# 2020 Interim Result



August 2020



## A – Trading of Commodities

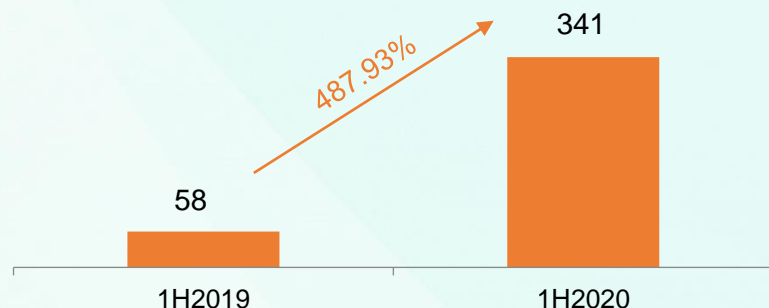
Product	Volume ('000 tonnes)	Amount (HK\$m)	As % of Total Revenue	Gross Margin
Coal	11,219	11,432	89.11%	5.85%
Petrochemical	187	878	6.84%	0.49%
Iron Ore	78	65	0.50%	0.14%
Nonferrous Metals	5	93	0.73%	0.77%
Total	11,490	12,468	97.18%	5.41%

In 1H2020, gross margin for commodity trading sector was 5.41%.

Country	Amount (HK\$m)	As % of Total Revenue
PRC (including Hong Kong, Macau and Taiwan)	10,757	83.92%
Korea	738	5.75%
India	610	4.75%
Turkey	191	1.49%
Poland	92	0.72%
United Kingdom	80	0.62%
Total	12,468	97.18%

## B – Integrated Supply Chain Services (warehousing, logistics, washing and processing)

(HK\$ million)



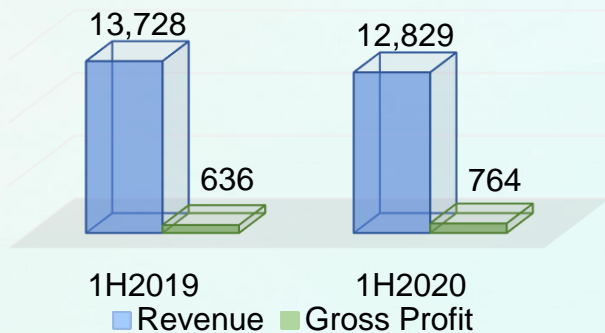
In 1H2020, our supply chain service sector has transferred from the original railway logistics business to integrated supply chain services for commodity, including warehousing, logistics, and washing services. The corresponding revenue increased significantly by 487.93% to HK\$341 million from HK\$58 million in 1H2019. Such increase of revenue was contributed by the strategic separation of the Company's businesses segments of commodities trading and integrated supply chain services.

In 1H2020, gross margin of integrated supply chain services was 9.15%.



# Financial Update

## Revenue/ Gross Profit (HK\$ million)



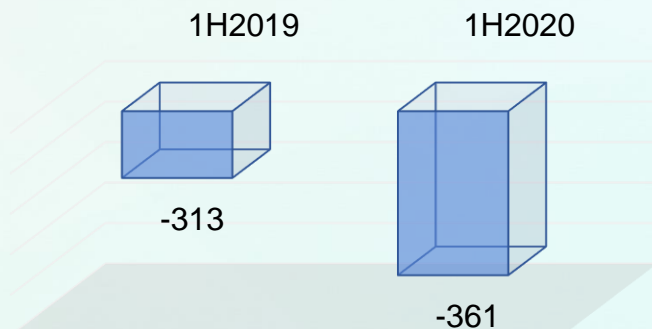
(HK\$ million)	1H2019	1H2020
Revenue	13,728	12,829
Gross Profit	636	764
Gross Profit Margin	4.63%	5.95%

Product	1H2019			1H2020		
	Volume ('000 tonnes)	Amount (HK\$ million)	As % of Total Revenue	Volume ('000 tonnes)	Amount (HK\$ million)	As % of Total Revenue
Coal	9,106	11,386	82.94%	11,219	11,432	89.11%
Petrochemical	230	1,369	9.98%	187	878	6.84%
Integrated Supply Chain Services	-	58	0.42%	-	341	2.66%
Iron Ore	1,078	676	4.93%	78	65	0.50%
Nonferrous Metals	9	201	1.47%	5	93	0.73%
Coke	14	28	0.21%	-	-	-
Others	-	9	0.07%	-	21	0.16%
<b>Total</b>	<b>10,438</b>	<b>13,728</b>	<b>100%</b>	<b>11,490</b>	<b>12,829</b>	<b>100%</b>

- The company's recorded revenue of HK\$12,829 million, a 6.55% decrease compared to HK\$13,728 million in 1H2019. The decrease is primarily resulted from the transfer of Mongolia coal business from trading revenue to integrated supply chain service revenue
- Coking coal contributed revenue of HK\$11,388 million, accounting for 88.77%; and generated gross profit of HK\$697 million, increased by HK\$140 million compared with 1H2019. This is mainly the increase of sales volume of coking coal from 7.86 million tons to 10.86 million tons in 1H2020
- The gross profit margin increased to 5.95% from 4.63% in 1H2019. It was mainly due to the increase in the gross profit margin of coking coal caused by the widened price difference between domestic and oversea coal as a result of COVID-19
- The integrated supply chain service segment increased by 487.93% in 1H2020 compared with 1H2019, which was generated by providing integrated supply chain services for Xianghui JV and third parties, including warehousing, logistics and coal processing



## Operating Expense (HK\$ million)



■ Total Operating Expenses (Excluding Reversal of Impairment of Non-Current Assets).

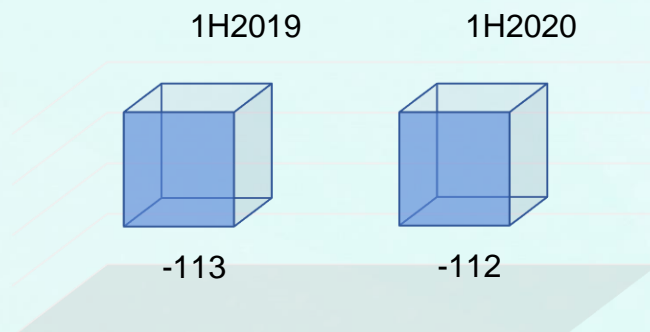
(HK\$ million)	1H2019	1H2020
Distribution Cost	(111)	(43)
Administrative Expenses	(183)	(295)
Other Operating Expenses, Net	(19)	(23)
Total Operating Expenses (Excluding Reversal of Impairment of Long-term Assets)	(313)	(361)
As % of Total Revenue	-2.28%	-2.78%

- In 1H2020, the total operating expenses was HK\$361 million, accounting for 2.78% of total revenue as compared to 2.28% in 1H2019. The increase was mainly due to the increase in administrative expenses
- The increase in administrative expenses was mainly due to the increase in the accrued bonus in 1H2020, approximately HK\$101 million. The decrease in distribution costs was mainly due to the transfer of our Mongolian coal trading business to Xianghui JV, and the distribution costs of Mongolian coal trading business decreased correspondingly

(HK\$ million)	1H2019	1H2020
Finance Income	8	35
Finance Costs	(121)	(147)
Net Finance Costs	(113)	(112)
As % of Total Revenue	-0.82%	-0.87%

- In 1H2020, finance income increased by 337.50%. The increase was mainly due to the changes in the fair value on conversion option embedded in convertible bonds and warrants
- Finance costs increased by 21.49%, mainly due to the one off interest expenses incurred in relation to the full redemption of convertible bonds
- Net finance cost remains almost the same as in 1H2019

## Finance Income/ Costs (HK\$ million)

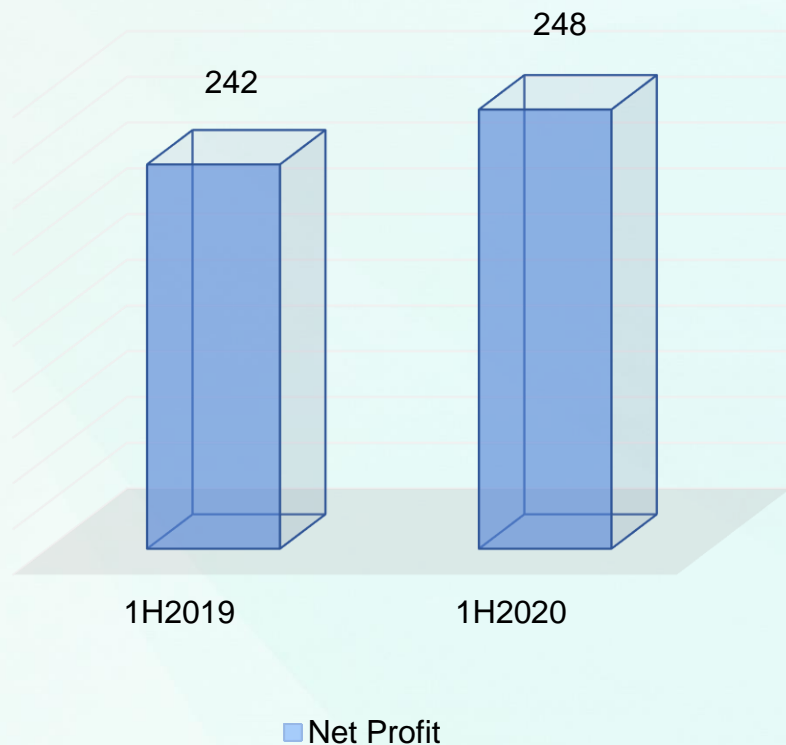


■ Net Finance Cost



# Financial Update (Cont'd)

## Net Profit (HK\$ million)



(HK\$ million/HK\$)	1H2019	1H2020
Net Profit	242	248
Profit Attributable to Shareholders	238	255
Basic EPS	0.078	0.084

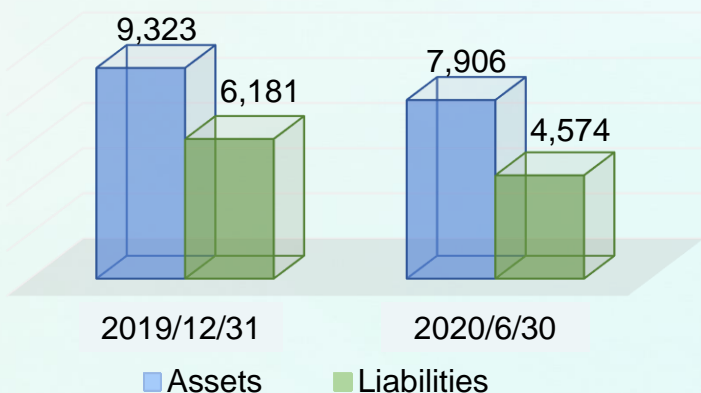
- The Company posted a net profit of HK\$248 million in 1H2020
- Basic EPS was HK\$0.084 as of June 30, 2020



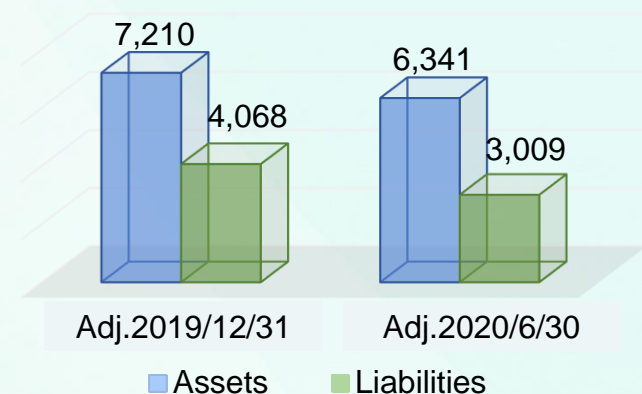


# Financial Update (Cont'd)

## Assets/Liabilities (HK\$ million)



## Adjusted Assets/Liabilities (HK\$ million)



(HK\$ million)	2019/12/31	2020/6/30
Assets	9,323	7,906
Liabilities	6,181	4,574
Total Equity	3,142	3,332
Gearing Ratio	66.30%	57.85%

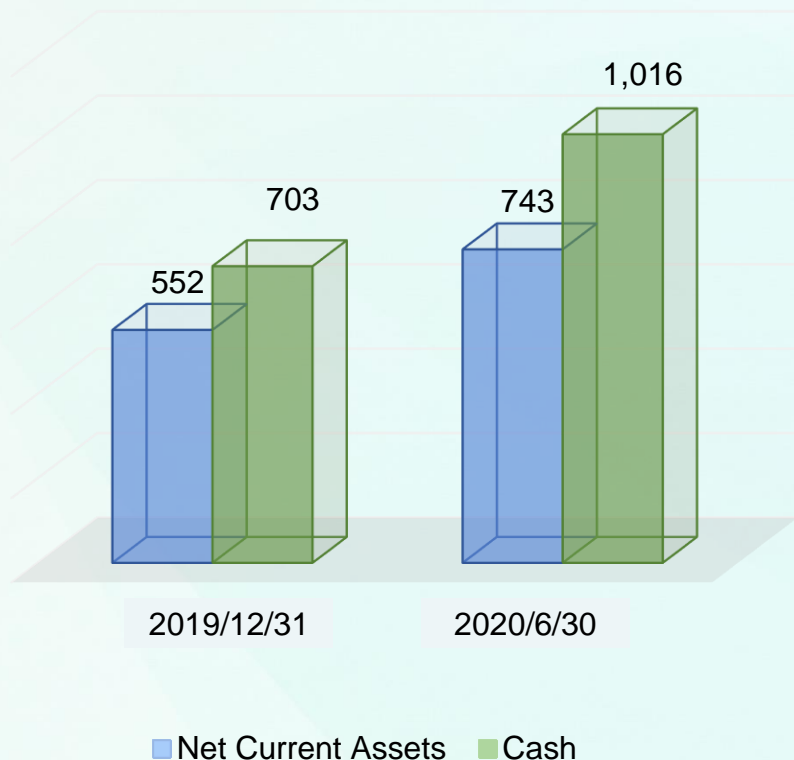
- As at June 30, 2020, the Company's gearing ratio decreased from 66.30% to 57.85%
- In 1H2020, the Company's assets decreased by 15.20%, which was mainly due to the decrease of receivables and inventories caused by the transfer of Mongolian coal business from trading revenue to supply chain service revenue, as well as decreased of seaborne coal inventory caused by the impact of import policy on customs clearance efficiency
- Liabilities decreased by 26.00%, mainly due to the decreased discounted bills with recourse rights and pledge loan

(HK\$ million)	Adj.2019/12/31	Adj.2020/6/30
Assets	7,210	6,341
Liabilities	4,068	3,009
D/A Ratio	56.42%	47.45%

- After receiving bank acceptance bills and letters of credit, the Company discounts or pledges such bills to against loans from banks. According to accounting standards, assets and liabilities will increase at the same time. However, such bills and letters of credit discounted pledge loans are based on bank credit, and there is no substantial risk
- Excluding the impact of the accounting and loans pledged with full amount bank deposits, the Company's adjusted total assets and liabilities were shown as the above. The Company's adjusted gearing ratio at was 47.45%, debt level remains stable.



## Current Assets and Cash (HK\$ million)



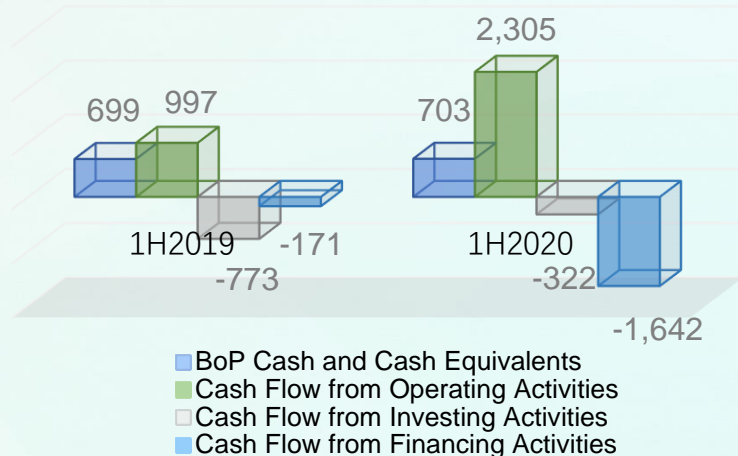
(HK\$ million)	2019/12/31	2020/6/30
Current Assets	6,491	5,099
Current Liabilities	5,940	4,356
Net Current Asset	552	743
Cash and Cash Equivalents	703	1,016
Current Ratio	1.09	1.17

- As at June 30, 2020, the company's current ratio is 1.17. The Company's current assets decreased by 21.45%, which was mainly due to the decrease of receivables and inventories caused by the transfer of Mongolian coal business from trading revenue to supply chain service revenue, as well as decreased of seaborne coal inventory caused by the impact of import policy on customs clearance efficiency
- Current liabilities decreased by 26.67%, mainly due to the decreased discounted bills with recourse rights and pledge loan



# Financial Update (Cont'd)

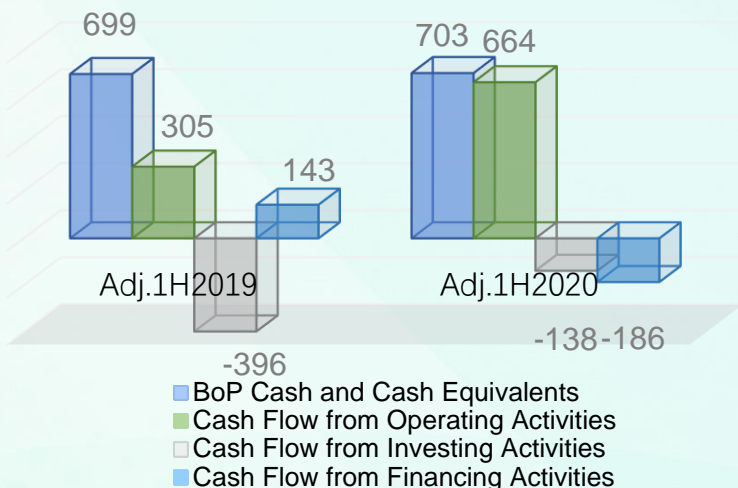
## Cash Flow (HK\$ million)



(HK\$ million)	1H2019	1H2020
Cash and cash equivalents at 1 January	699	703
Cash Flow from Operating Activities	997	2,305
Cash Flow from Investing Activities	(773)	(322)
Cash Flow from Financing Activities	(171)	(1,642)
Impact of Change in Foreign Exchange Rates	(7)	27
Cash and cash equivalents at 30 June	745	1,016

- In 1H2020, cash inflow from operating activities was HK\$2,305mn, which was mainly contributed from cash profit of HK\$309mn and net cash inflow of working capital changes of HK\$1,877mn. The changes in working capital include a decrease in inventory by HK\$718mn and a decrease in account receivables by HK\$1,181mn. This was mainly due to the transfer of Mongolian coal business to Xianghui JV since October 2019. Trading revenue from Mongolian coal business transferred to integrated supply chain revenue, corresponding to the reduction in trade capital occupation
- The cash outflow from investing activities was HK\$322mn. The outflow was mainly due to an increase in restricted bank deposits for bank credit pledges of approx. HK\$279mn and investment in purchases of logistics assets of HK\$70mn
- The cash outflow from financing activities was HK\$1,642mn, which was mainly due to reduction of discounted bills receivable and pledges of the bills receivable of approximately HK\$1,416mn

## Adjusted Cash Flow (HK\$ million)



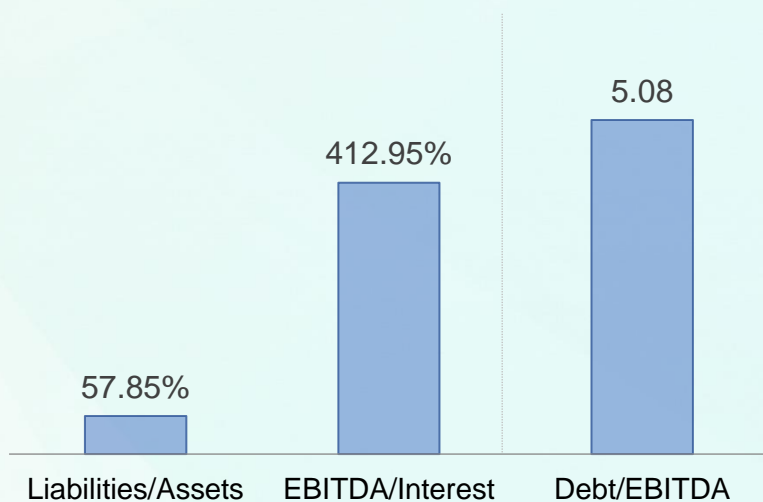
(HK\$ million)	Adj.1H2019	Adj.1H2020
Cash and cash equivalents at 1 January	699	703
Cash Flow from Operating Activities	305	664
Cash Flow from Investing Activities	(396)	(138)
Cash Flow from Financing Activities	143	(186)
Impact of Change in Foreign Exchange Rates	(7)	27
Cash and cash equivalents at 30 June	745	1,016

- After receiving bank acceptance bills and letters of credit, the Company discounts or pledges such bills to against loans from Banks. According to accounting standards, such cash flows are classified as financing activities. As acceptance bills and letters of credit received from operating activities, in order to explain the company's business activities more clearly, the impact of the above changes is analysed as above





## Liabilities and Liquidity



	2019/6/30	2020/6/30
Liabilities/Assets	62.19%	57.85%
EBITDA/Interest	332.65%	412.95%
Liabilities/EBITDA	6.77	5.08

- As at June 30 2020, the Company's gearing ratio was 57.85%, EBITDA/Interest was 412.95%, Liabilities/EBITDA was 5.08.
- In 1H2020, the Company's liabilities and liquidity indicators have generally improved. Adjusted gearing ratio was 47.45%. EBITDA/Interest has not changed much compared with 1H2019, which is due to the one off interest expenses incurred in relation to the full redemption of convertible bonds, excluding such impact, the adjusted EBITDA/Interest was 674.16%



Thank You!

