



**To build China's leading integrated commodity
supply chain service platform**

2017 Annual Results

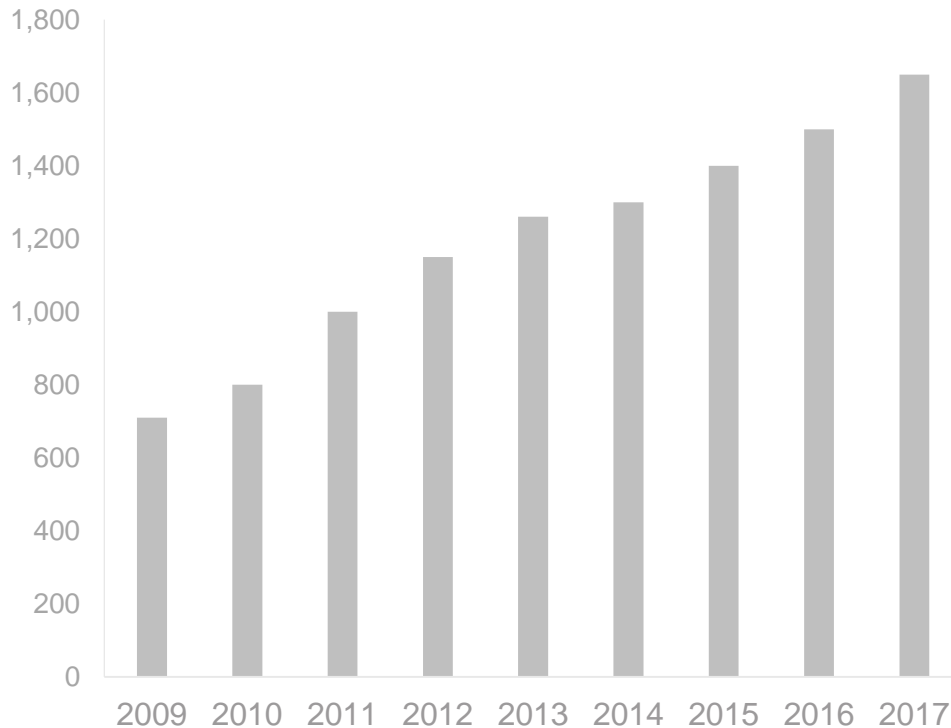
1. Industry Update

China's Supply Chain Service Industry

Chinese enterprises have increasing demand for professional supply chain services. Currently, China's market size of supply chain service industry has reached over US\$1.6 trillion and is likely to exceed US\$3 trillion by 2023.

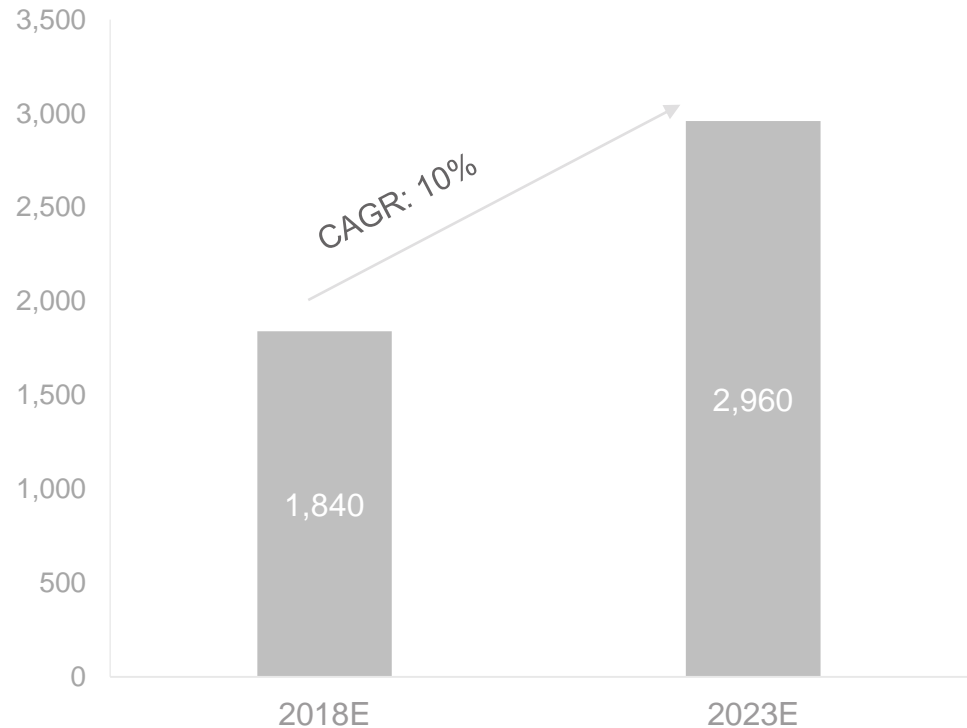
2009-2017 China Supply Chain Service Industry Market Size

(US\$ billion)



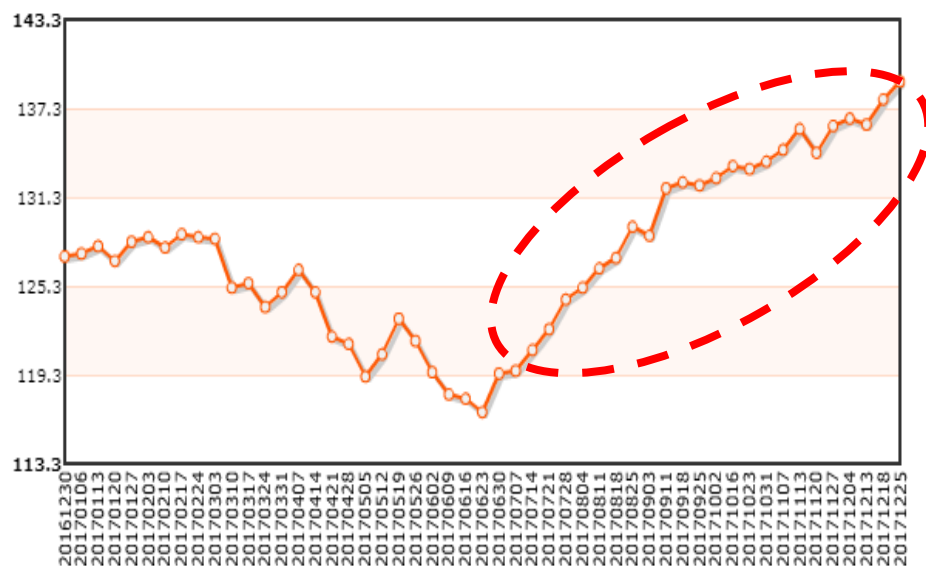
2018-2023 China Supply Chain Service Industry Market Size

(US\$ billion)

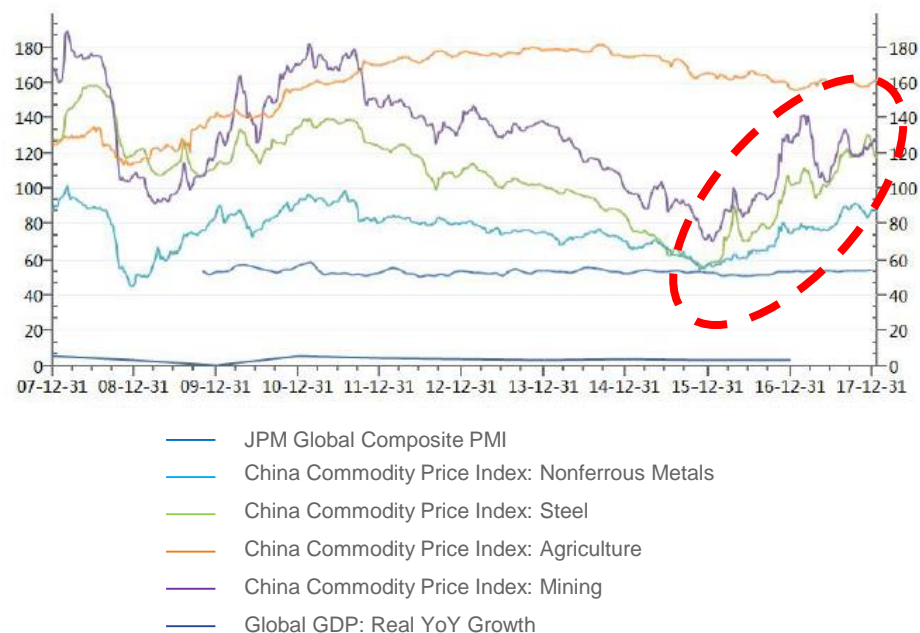


Source: Qianzhan Industrial Research Institute.

China's Commodity Price Index in 2017



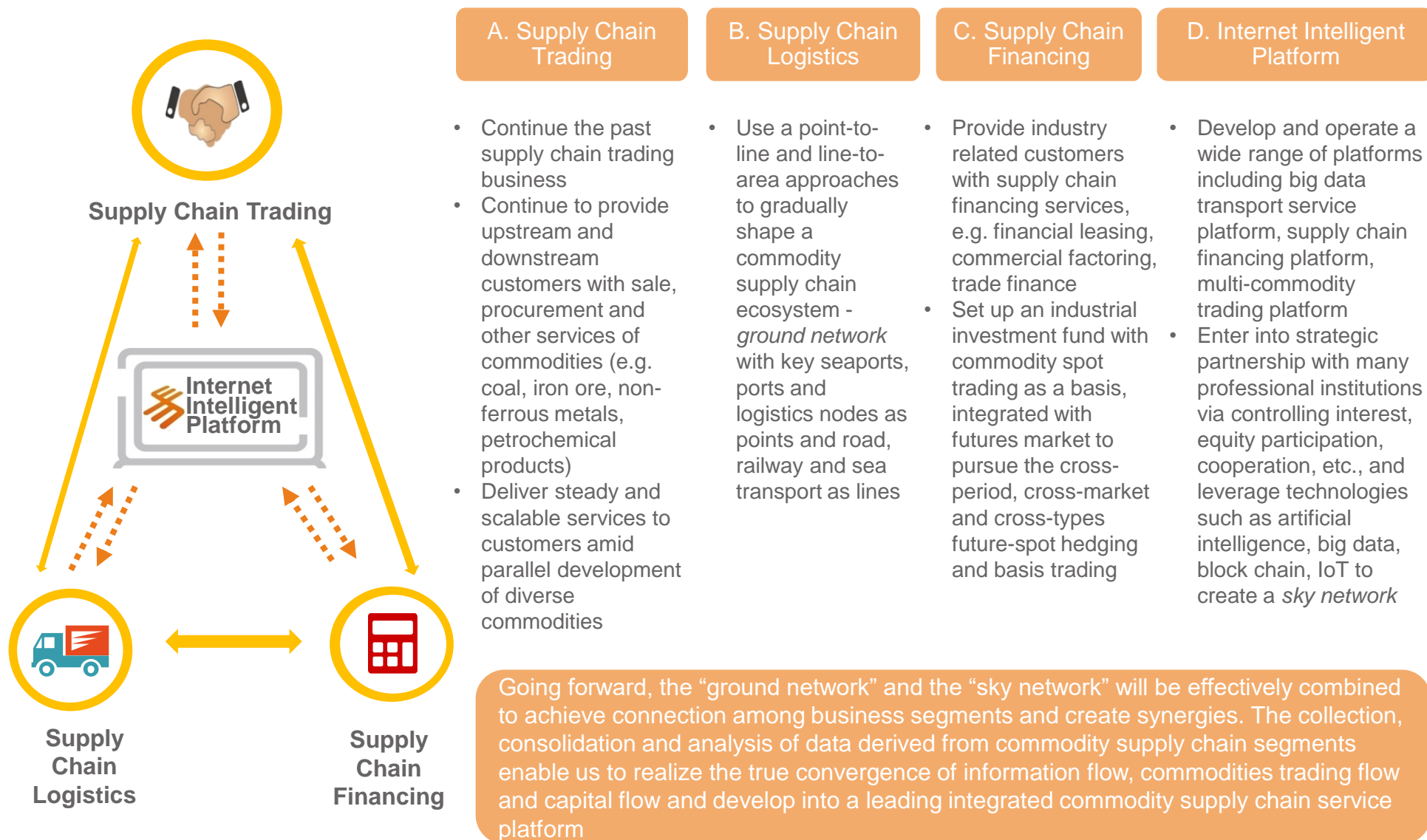
Performances of Commodity Price Indices & Global Macro-Economic Changes in 2017



Source: Wind, United Credit Ratings.

2. Business & Strategy Update

E-commodities – Four Business Segments





--Making Commodity Trading Simpler

1

Diversified commodity supply chain trading to avoid industry risk of single category, with solid profitability

2

Integrated supply chain services built on strategic presence of logistics and warehousing facilities through a “Point + Line” approach

3

Tap on business resources and supply chain system advantages to build strong and secure supply chain financing platform

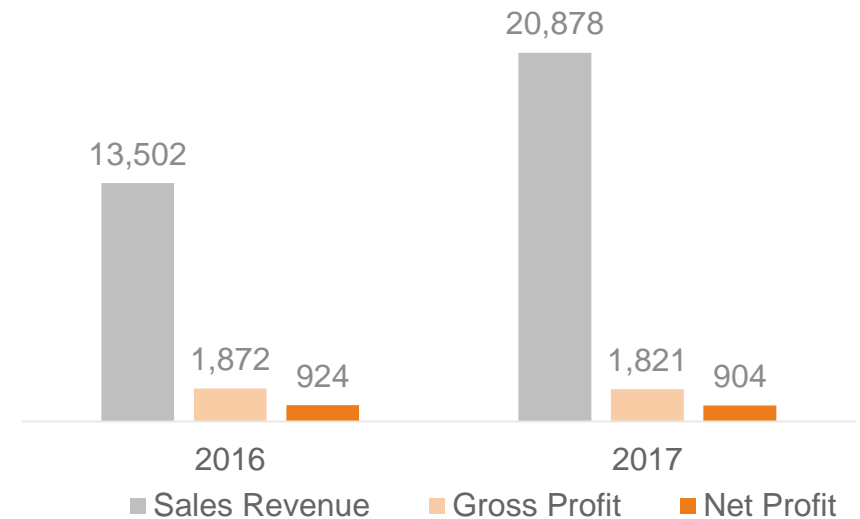
4

Create a supply chain ecosystem combining information flow, commodities trading flow and capital flow through big data collection

E-Commodities has become China's largest imported coking coal supply chain service provider. By leveraging the existing supply chain service integrating logistics, warehousing, processing and distribution and more than 20 years of experience of the management and team in the commodity industry, E-Commodities will further expand to diversified commodity supply chain services covering iron ore, non-ferrous metals and petrochemicals.



(HK\$ million)



- ❖ Currently, the Company's sales include not only revenue from supply chain trading business, but also incremental revenue generated from a series of supply chain services e.g. logistics, warehousing, processing

Note: Net profit for 2016 was adjusted net operating profit excluding gains from restructuring of senior notes.

2 “Point + Line” Strategic Presence of Logistics and Warehousing Facilities 易大宗 e-comm.com

E-Commodities has a deep understanding on domestic, overseas and cross-border transportation and a strategic presence of rail, road and marine transport routes and key gateways and ports. It provides efficient and exact transport, distribution and warehousing services for our clients, while collecting information on cargos, trucks, shipping, warehousing, etc. on a real time basis for optimizing logistics plans after analysis and consolidation.



A “Point + Line” approach in which logistics parks and warehousing (“points”) are closely connected by railways, shipping routes, road transports (“lines”) enables E-Commodities’ logistics system to cover the northern, eastern, central and northeastern China

2 Strategic Partnership with SOEs

E-Commodities pursues a growth strategy highly in line with the national policy and has entered into strategic partnership with many SOEs. Leveraging our business advantages, flexible market response mechanism, innovative management system and experience management team, E-Commodities will enhance cooperation and complementary endeavors in various forms.



3 Supply Chain Financing Service Platform

Based on our strong supply chain system, E-Commodities has established our own financial service platform and designed financial leasing and commercial factoring services focusing on large receivables and payables. Going forward, E-Commodities plans to further commence innovative supply chain financing business, establish diversified business channels and a broader presence based upon market and customer needs



Commercial Factoring

- Focus on the receivables and payables between up- and downstream customers; embed buyer / seller capital flow by tracking flows of goods and information, thereby providing commercial factoring services
- Provide meaningful earnings while improving customer's fund liquidity

Financial Leasing

- Leverage our own logistics chain to tap into customer funding needs
- Design product model on demand
- A diverse mix of risk control measures

Futures Hedging

- Superior futures trading team covering diversified commodities of coal, iron ore, petrochemical products, and nonferrous metals, to pursue cross-period, cross-market and cross-categories future-spot hedging and basis trading
- Team members have a proven track record, are familiar with various features of futures trading and settlement
- An approach of risk control in commodities supply chain trading business to avoid commodity price volatility risk

4 E-Commodities Internet Intelligent Platform

Based on deep expertise and experience in commodities, and collection, consolidation and analysis of commodity big data with new Internet technologies, E-Commodities optimizes quality resources across the commodity supply chain and effectively connects the larger and less frequent commodity trading with the smaller and more frequent financial services. In doing so, it creates an integrated supply chain ecosystem of information flow, commodities trading flow and fund flow, which is of great appeal to the remaining small, medium and individual players.



4 E-Commodities Platform for Easier Commodity Trading



Connectivity of the entire supply chain

- **Efficiency improvement:** Fully capitalize on the connectivity brought about by the Internet to realize coordination and data sharing across the entire supply chain including warehousing, transportation, processing and port;
- **Authenticity & credibility:** Obtain real first-hand data that cannot be tampered with, ensuring authenticity and credibility of logistics and trading data



Management and risk control models that can be quickly replicated

- Leverage technologies to consolidate the management model and risk control approaches for quick replication and scale of economy



Independent R&D experience in trading and logistics platforms

- R&D experience in commodity supply chain platforms, auto transportation logistics platforms and crowdsourcing platforms
- Profound insights and rich experience in online and offline integration

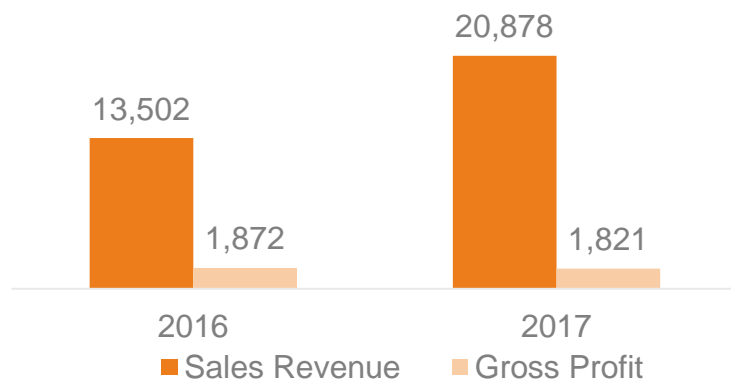


Cooperation with big data and technology platforms

- Focus on advanced technologies and continue to improve supply chain management using blockchain, IoT and other technologies;
- Invest in the data company, underline collection and analysis of industry data and unlock the full value of data

3. 2017 Annual Financials Update

Sales Revenue/Gross Profit/Margin (HK\$ million)



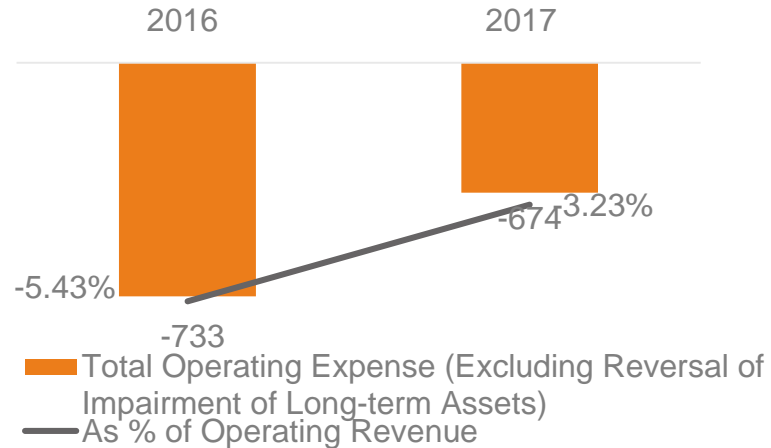
(HK\$ million)	2016	2017
Sales Revenue	13,502	20,878
Gross Profit	1,872	1,821
Gross Profit Margin	13.87%	8.72%

Supply Chain Trading Sales Revenue		
Product	Amount (HK\$ million)	As % of Total Revenue
Coal	19,428	93.06%
Petrochemicals	846	4.05%
Iron Ore	274	1.31%
Non-ferrous Metals	226	1.08%
Logistics Services	94	0.45%
Others	10	0.05%
Total	20,878	100%

- Supported by increased supply chain trading volume, the Company generated sales revenue of HK\$20.878 bn in 2017, up by 54.63% compared with HK\$13.502 bn in 2016
- Coking coal contributed sales revenue of HK\$18.368 bn or 87.98% and generated gross profit of HK\$1.497 bn
- Gross profit margin slipped to 8.72% from 13.87% for the same period in 2016, reflecting the slight decrease in profit margin of coking coal and the moderately lowered profit target due to new expansion of other non-coking coal commodities

Financial Update (Cont'd)

Operating Expense (HK\$ million)



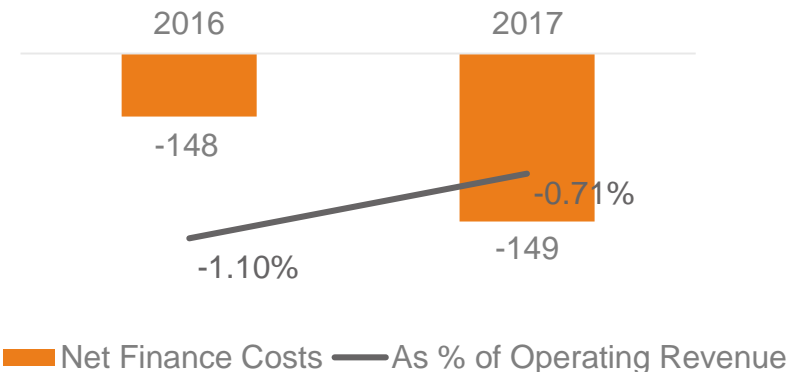
(HK\$ million)	2016	2017
Distribution Cost	(193)	(296)
Administrative Expenses	(525)	(378)
Other Operating Expenses, Net	(15)	(0)
Total Operating Expenses (Excluding Reversal of Impairment of Long-term Assets)	(733)	(674)
As % of Operating Revenue	-5.43%	-3.23%

- The Company recorded total operating expenses of HK\$674 mm in 2017, down by 8.05% compared with 2016. Operating expenses as percentage of sales revenue decreased from 5.43% in 2016 to 3.23%
- Distribution cost increased by 53.37% in 2017 due to business expansion while administrative expenses decreased by 28% due to decreased payment of annual bonus paid and decreased professional expenses incurred in 2017

(HK\$ million)	2016	2017
Finance Income	8	7
Finance Costs	(156)	(156)
Net Finance Costs	(148)	(149)
As % of Operating Revenue	-1.10%	-0.71%

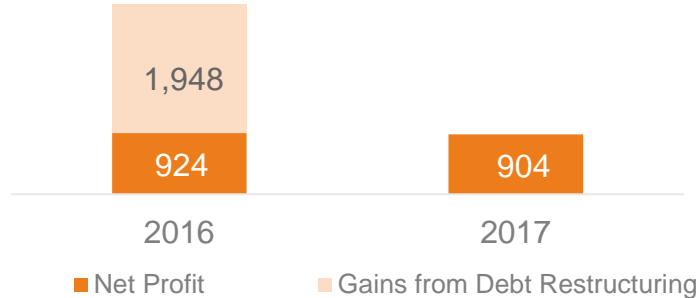
- The Company issued US\$40 mm 5-year 5% convertible bonds in September 2017. Therefore, compared with 2016, although the Company had no interest payment for the high-interest debt in 2017, it posted interest payment for the convertible bonds. As a result, the finance costs remained basically flat

Finance Income/Costs (HK\$ million)



Financial Update (Cont'd)

Net Profit/EPS (HK\$ million/HK\$)



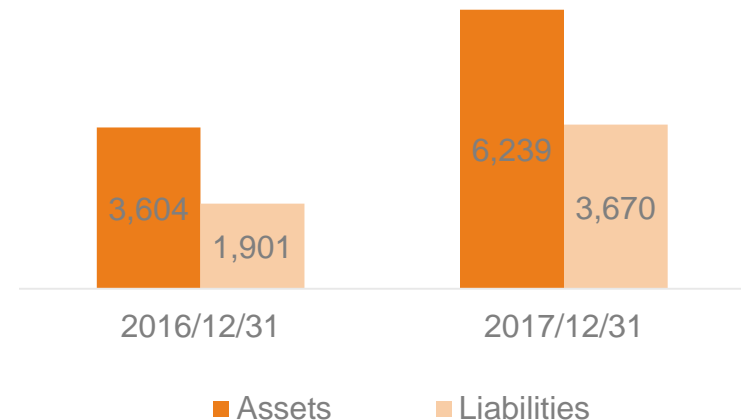
(HK\$ million/HK\$)	2016	2017
Net Profit	2,872	904
Profit Attributable to Shareholders	2,874	905
Adjusted Net Profit (Excluding Gains from Restructuring of High-interest Debt)	924	904
EPS (Diluted)	1.488	0.285
Adjusted EPS (Diluted)	0.479	0.285

- The Company posted net profit of HK\$904 mm in 2017, remained basically flat with last year. In 2016, the Company's net profit stood at HK\$2.872 bn, excluding the impact of gains from the debt restructuring, adjusted net profit was HK\$924 mm
- Diluted EPS was HK\$0.285 as at December 31, 2017

(HK\$ million)	2016/12/31	2017/12/31
Assets	3,604	6,239
Liabilities	1,901	3,670
Total Equity	1,703	2,568
D/A Ratio	52.74%	58.83%

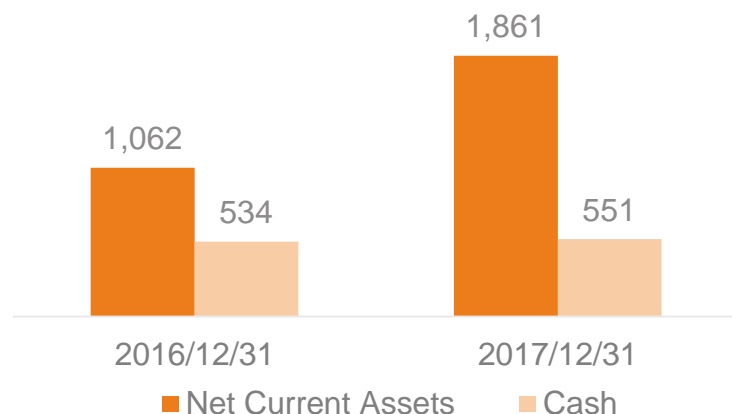
- As at the end of 2017, the Company's D/A ratio grew to 58.83% from 52.74% as at the end of 2016
- Asset increase in 2017 was mainly due to:
 - Increase in trade and other receivables due to increased volume, as well as recourse discounting and pledged loans against bills receivable
- Upswing in liabilities in 2017 was mainly due to:
 - Increased bank loans
 - Issuance of US\$40 mm 5-year 5% convertibles on September 14, 2017
- Besides, in 2017, out of strategic considerations, the Company acquired the Salaqi coal processing plant and the exclusive logistics service right for the Salaqi Rail Logistics Park

Assets/Liabilities (HK\$ million)



Financial Update (Cont'd)

Current Assets and Cash (HK\$ million)



(HK\$ million)

	2016/12/31	2017/12/31
Current Assets	2,791	5,162
Current Liabilities	1,729	3,301
Net Current Asset	1,062	1,861
Cash and Cash Equivalents	534	551
Quick Ratio	1.61	1.56

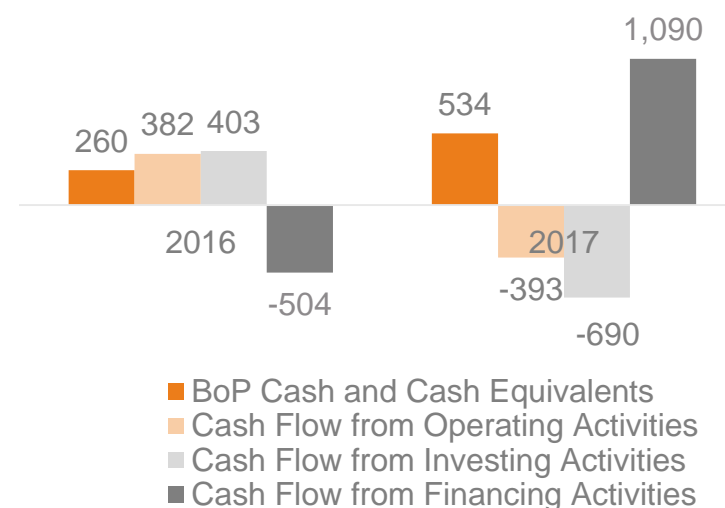
- As at December 31, 2017, the Company's current assets increased by 84.95% over the same period in 2016, which was due to increase in trade and other receivables due to increased volume as well as recourse discounting and pledged loans against bills receivable. Current liabilities rose by 90.92% over the end of 2016, which was mainly due to the increase of secured bank and other loans
- Quick ratio was 1.56

(HK\$ million)

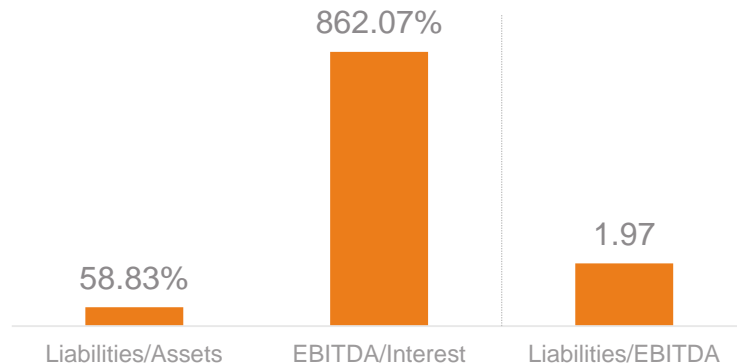
	2016	2017
BoP Cash and Cash Equivalents	260	534
Cash Flow from Operating Activities	382	(393)
Cash Flow from Investing Activities	403	(690)
Cash Flow from Financing Activities	(504)	1,090
Impact of Change in Foreign Exchange Rates	(7)	10
EoP Cash and Cash Equivalents	534	551

- In 2017, cash outflow from operating activities was HK\$393 mm. It was mainly due to HK\$1,224 mm net cash received from recourse discounting and pledged loans against bills receivable, both of which had been accounted for under financing activities, though the bills receivable were received from sales
- Cash outflow from investing activities stood at HK\$690 mm. It was generated mainly from the payment for purchase of PP&E and intangible assets and the increase in restricted bank deposits as collateral for banking facilities in respect of the Group borrowings, issuance of bills, and letters of credit by the Group
- The Company posted a cash inflow from financing activities of HK\$1,090 mm. It was mainly due to an increase of net proceeds from bank and other loans during 2017, including HK\$1,224 million net cash received from recourse discounting and pledged loans against bills receivable

Cash Flow (HK\$ million)



Liabilities and Liquidity



	2016/12/31	2017/12/31
Liabilities/Assets	52.74%	58.83%
EBITDA/Interest	837%	862.07%
Liabilities/EBITDA	0.60	1.97

- The Company had managed the D/A ratio as at 31 Dec 2017 to 58.83% from 52.74% for the year ended 2016, debt level remains stable and liquidity healthy

2017 Dividend Calculation

(HK\$)

Profit attributable to equity shareholders in 2017	904,742,000
Profit attributable to equity shareholders in 1H 2017	477,897,000
Profit attributable to equity shareholders in 2H 2017	426,845,000
Profit attributable to equity shareholders in 2H 2017 *25%	106,711,250
TSO at Dec 31, 2017	3,157,298,356
Dividend per Share(HK\$)	0.034
TSO at Mar 22, 2018	3,121,874,356
Est. Dividend to be paid for 2H 2017	106,143,728

- On March 22, 2018, an estimated final dividend in cash of HK\$ 0.034 per share or approximately HK\$ 106 mm has been reviewed and approved by the Board of Directors, which will be submitted on the coming AGM for voting and approval

4. Appendix

Shareholding Structure



Notes:

1. As of December 31, 2017, the Company had approximately 3.157 billion shares in total.
2. As indicated above, China Minmetals HK beneficially owns 12.69% shares in the Listco. Ms. Wang Yihan and Mr. Wang Xingchun are acting in concert, and they collectively hold 37.22% shares in the ListCo.

Thank you!
