

T h e m e

Theme International Holdings Limited

(Incorporated in Bermuda with limited liability) (Stock Code: 990)



INTERIM
REPORT
2016



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Corporate Information

DIRECTORS

Executive Directors

Mr. Ng Chi Lung (*appointed as Executive Director and Vice Chairman on 1 April 2016*)

Ms. Wong Fung Chi (*appointed as Chairman on 6 January 2016 and resigned as Executive Director and Chairman on 1 April 2016*)

Mr. Wong Hok Bun, Mario

Mr. Wong Lik Ping (*resigned as Executive Director and Chairman on 6 January 2016*)

Mr. Liu Bing (*resigned on 1 January 2016*)

Independent Non-Executive Directors

Mr. Chan Chi Ming, Tony

Mr. Wu Shiming

Mr. Chan Wah

Audit Committee

Mr. Chan Chi Ming, Tony (*Chairman*)

Mr. Wu Shiming

Mr. Chan Wah

Remuneration Committee

Mr. Chan Chi Ming, Tony (*Chairman*)

Mr. Wu Shiming

Mr. Chan Wah

Nomination Committee

Mr. Chan Chi Ming, Tony (*Chairman*)

Mr. Wu Shiming

Mr. Chan Wah

Mr. Liu Bing (*resigned on 1 January 2016*)

Corporate Information

COMPANY SECRETARY

Mr. Wong Hok Bun, Mario

AUDITOR

ZHONGHUI ANDA CPA Limited
Unit 701, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

LEGAL ADVISERS ON BERMUDA LAW

Conveys Dill & Pearman
29th Floor, One Exchange Square
8 Connaught Place, Central
Hong Kong

LEGAL ADVISERS ON HONG KONG LAW

Angela Ho & Associates
Unit 1405, 14/F., Tower 1
Admiralty Centre
18 Harcourt Road, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

Suite 3604, 36/F., West Tower, Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

Corporate Information

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Chiyu Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

SUB-REGISTRAR & TRANSFER AGENT IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

990

WEBSITE

www.990.com.hk

Condensed Consolidated Financial Statements

The board (the “**Board**”) of directors (the “**Directors**”) of Theme International Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2016 together with the comparative figures.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	526,217	22,440
Cost of sales		<u>(519,889)</u>	<u>(12,076)</u>
Gross profit		6,328	10,364
Other income, gain and loss		(804)	(1,656)
Selling and distribution expenses		(605)	(15,099)
Administrative expenses		(29,011)	(11,691)
Gain on disposal of subsidiaries		–	444
Loss on disposal of a joint venture		–	(93)
Loss before taxation	5	<u>(24,092)</u>	<u>(17,731)</u>
Income tax	4	<u>(208)</u>	<u>(3)</u>
Loss for the period attributable to owners of the Company		<u>(24,300)</u>	<u>(17,734)</u>
Other comprehensive income/(loss):			
– item that has been reclassified to profit or loss:			
Reclassification adjustment of translation reserve on disposal of interests in foreign operations		–	115
– item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		183	(2,057)
Total other comprehensive income/(loss) for the period, net of tax		<u>183</u>	<u>(1,942)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(24,117)</u>	<u>(19,676)</u>
Loss per share	6		
Basic and diluted		<u>HK(0.47) cents</u>	<u>HK(0.43) cents</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

		30 June 2016	31 December 2015
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	<u>643</u>	<u>771</u>
Current assets			
Inventories		160,406	122,083
Loans to customers	9	65,390	65,000
Trade and interest receivables	10	39,520	6,381
Deposits, prepayments and other receivables		736	1,173
Cash and bank balances		<u>10,351</u>	<u>12,272</u>
		<u>276,403</u>	<u>206,909</u>
Current liabilities			
Trade payables	11	72,370	125,042
Accruals and other payables		605	1,222
Current tax liabilities		<u>216</u>	<u>7</u>
		<u>73,191</u>	<u>126,271</u>
Net current assets		<u>203,212</u>	<u>80,638</u>
Net assets		<u>203,855</u>	<u>81,409</u>
Capital and reserves			
Share capital	12	13,157	10,965
Reserves		<u>190,698</u>	<u>70,444</u>
Total equity		<u>203,855</u>	<u>81,409</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Share-based payment reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2015 (audited)	9,140	69,825	83,161	(4,516)	(166,604)	(8,994)
Total comprehensive loss for the period	-	-	-	(1,942)	(17,734)	(19,676)
Issue of new shares on placement (note 12)	1,825	112,647	-	-	-	114,472
Lapse of share options	-	-	(4,965)	-	4,965	-
At 30 June 2015 (unaudited)	<u>10,965</u>	<u>182,472</u>	<u>78,196</u>	<u>(6,458)</u>	<u>(179,373)</u>	<u>85,802</u>
At 1 January 2016 (audited)	10,965	182,472	78,196	(5,202)	(185,022)	81,409
Total comprehensive loss for the period	-	-	-	183	(24,300)	(24,117)
Issue of new shares under subscription (note 12)	2,192	120,324	-	-	-	122,516
Equity-settled share-based transactions (note 13)	-	-	24,047	-	-	24,047
At 30 June 2016 (unaudited)	<u>13,157</u>	<u>302,796</u>	<u>102,243</u>	<u>(5,019)</u>	<u>(209,322)</u>	<u>203,855</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Operating activities			
Net cash used in operating activities		<u>(124,751)</u>	<u>(22,995)</u>
Investing activities			
Purchase of property, plant and equipment	8	–	(1,173)
Proceeds from disposal of property, plant and equipment		64	161
Payment to a joint venture		–	(103)
Proceeds from disposal of subsidiaries and a joint venture, net of cash disposed		<u>–</u>	<u>3,077</u>
Net cash generated from investing activities		<u>64</u>	<u>1,962</u>
Financing activities			
Net proceeds from issue of new shares on subscription/placement		122,516	114,472
Repayment of loans from a shareholder		<u>–</u>	<u>(26,850)</u>
Net cash generated from financing activities		<u>122,516</u>	<u>87,622</u>
Net (decrease)/increase in cash and cash equivalents		(2,171)	66,589
Cash and cash equivalents at beginning of the period		12,272	25,221
Effect of foreign exchange rate changes		<u>250</u>	<u>(2,006)</u>
Cash and cash equivalents at end of the period, represented by cash and bank balances		<u>10,351</u>	<u>89,804</u>

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

1. Basis of Preparation

This unaudited condensed consolidated financial statements of Theme International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 24 August 2016.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements.

The preparation of a condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee of the Company.

Condensed Consolidated Financial Statements

1. Basis of Preparation (continued)

The financial information relating to the financial year ended 31 December 2015 that is included in the condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

The condensed consolidated financial statements have been prepared on a going concern basis.

2. Changes in Accounting Policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group.

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Condensed Consolidated Financial Statements

2. Changes in Accounting Policies (continued)

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

3. Revenue and Segment Information

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Sales from trading of goods	522,076	3,378
Interest income from loans to customers	3,391	130
Retailing of garments	750	18,932
	<u>526,217</u>	<u>22,440</u>

Condensed Consolidated Financial Statements

3. Revenue and Segment Information (continued)

Reportable segments

The Group determines its operating segments and measurement of segment profit based on the internal reports to executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and making strategic decision.

During the period ended 30 June 2016, the Group's reportable and operating segments are as follows:

- Distribution and trading – trading of chemical materials and commodities in Hong Kong;
- Loan financing services – provision of funds and financial services in Hong Kong; and
- Retailing of garments – operation of retail outlets and department store counters in Taiwan.

Segment information and results:

The following is an analysis of the Group's revenue and results by reportable segment:

For the six months ended 30 June 2016 (unaudited)

	Distribution and trading HK\$'000	Loan financing services HK\$'000	Retailing of garments HK\$'000	Total HK\$'000
Revenue	<u>522,076</u>	<u>3,391</u>	<u>750</u>	<u>526,217</u>
Segment (loss)/profit	<u>2,259</u>	<u>1,753</u>	<u>(598)</u>	3,414
Unallocated other income, gain and loss				(828)
Corporate expenses				<u>(26,678)</u>
Loss before taxation				<u>(24,092)</u>

Condensed Consolidated Financial Statements

3. Revenue and Segment Information (continued)

Segment information and results: (continued)

For the six months ended 30 June 2015 (unaudited)

	Distribution and trading HK\$'000	Loan financing services HK\$'000	Retailing of garments HK\$'000	Total HK\$'000
Revenue	<u>3,378</u>	<u>130</u>	<u>18,932</u>	<u>22,440</u>
Segment (loss)/profit	<u>26</u>	<u>(1,322)</u>	<u>(11,403)</u>	(12,699)
Unallocated other income, gain and loss				1
Corporate expenses				(5,384)
Gain on disposal of subsidiaries				444
Loss on disposal of a joint venture				<u>(93)</u>
Loss before taxation				<u>(17,731)</u>

The accounting policies of the reportable and operating segment are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of, certain other income, certain other gains and losses and taxation. This is the measure reporting to the executive directors for the purposes of resource allocation and making strategic decision.

Condensed Consolidated Financial Statements

3. Revenue and Segment Information (continued)

Segment assets and liabilities:

The following is an analysis of the Group's assets and liabilities by reportable segment:

As at 30 June 2016 (unaudited)

	Distribution and trading HK\$'000	Loan financing services HK\$'000	Retailing of garments HK\$'000	Total HK\$'000
Segment assets	<u>202,129</u>	<u>67,135</u>	<u>164</u>	269,428
Unallocated property, plant and equipment				4
Unallocated prepayments, deposits and other receivables				331
Unallocated cash and bank balances				<u>7,283</u>
Consolidated assets				<u>277,046</u>
Segment liabilities	<u>68,886</u>	<u>46</u>	<u>3,528</u>	72,460
Unallocated accruals and other payables				515
Current tax liabilities				<u>216</u>
Consolidated liabilities				<u>73,191</u>

Condensed Consolidated Financial Statements

3. Revenue and Segment Information (continued)

Segment assets and liabilities: (continued)

As at 31 December 2015 (audited)

	Distribution and trading HK\$'000	Loan financing services HK\$'000	Retailing of garments HK\$'000	Total HK\$'000
Segment assets	<u>128,002</u>	<u>66,805</u>	<u>4,251</u>	199,058
Unallocated property, plant and equipment				6
Unallocated prepayments, deposits and other receivables				560
Unallocated cash and bank balances				<u>8,056</u>
Consolidated assets				<u>207,680</u>
Segment liabilities	<u>121,627</u>	<u>91</u>	<u>3,836</u>	125,554
Unallocated accruals and other payables				<u>717</u>
Consolidated liabilities				<u>126,271</u>

Condensed Consolidated Financial Statements

4. Income Tax

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax	<u>208</u>	<u>3</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% to the six months ended 30 June 2016 and 2015.

Taxation arising in other jurisdictions are calculated at prevailing tax rates in the relevant jurisdictions. The prevailing profit tax rate in Taiwan is 17%. No provision for Taiwan profit tax in current and prior period is made as the Company and its subsidiaries have no assessable profit arising in Taiwan.

5. Loss before Taxation

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Interest income on bank deposits	(2)	(8)
Write-back for obsolete inventories	(912)	(876)
Depreciation of property, plant and equipment	86	1,121
(Gain)/loss on disposal of property, plant and equipment	(22)	1,611
Net foreign exchange loss	911	5
Operating lease rentals in respect of rented premises	773	6,256
Directors' remuneration (notes a & c)	6,044	1,241
Consultancy fees (note c)	19,118	–
Other staff costs (notes b & c)	<u>1,161</u>	<u>10,483</u>

Condensed Consolidated Financial Statements

5. Loss before Taxation (continued)

Notes:

- (a) Directors' remuneration include fees, remunerations, equity-settled share-based payment and retirement benefits scheme contributions.
- (b) Other staff costs (excluding directors' remuneration) include salaries, allowances, equity-settled share-based payment and retirement benefits scheme contributions.
- (c) Equity-settled share-based payment comprised share-based payment to directors, employees and other qualified persons of which approximately HK\$4,836,000, HK\$93,000 and HK\$19,118,000 are included in directors' remuneration, other staff costs and consultancy fees respectively.

6. Loss per Share

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

(a) Basic loss per share

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Losses:		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(24,300)</u>	<u>(17,734)</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>5,137,534</u>	<u>4,168,030</u>

Condensed Consolidated Financial Statements

6. Loss per Share (continued)

(b) Diluted loss per share

Diluted loss per share does not assume the exercise of the Company's share options as the exercise of the Company's share options would result in a decrease in loss per share.

7. Interim Dividend

No dividends were paid, declared or proposed during the period. The directors do not recommend the payment of an interim dividend.

8. Movements in Property, Plant and Equipment

During the six months ended 30 June 2016, there was no addition to the Group's property, plant and equipment (2015: addition of approximately HK\$1,173,000). Items of property, plant and equipment with a net book value of approximately HK\$42,000 (2015: approximately HK\$1,763,000) were disposed (excluding property, plant and equipment disposed as part of disposal of subsidiaries) during the six months ended 30 June 2016, resulting in a gain on disposal of approximately HK\$22,000 (2015: loss on disposal of approximately HK\$1,611,000).

9. Loans to Customers

Aging analysis

Aging analysis of loans to customers prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Less than 1 month	–	60,000
1 to 3 months	5,390	–
7 to 12 months	60,000	5,000
	<u>65,390</u>	<u>65,000</u>

Condensed Consolidated Financial Statements

9. Loans to Customers (continued)

Aging analysis (continued)

Aging analysis of loans to customers prepared based on contractual due date is as follows:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Not yet past due	<u>65,390</u>	<u>65,000</u>

Loans to customers that were neither past due nor impaired related to customers for whom there was no recent history of default. Impairment provisions are recognised for financial reporting purposes only for losses that have incurred at the end of reporting period based on objective evidence of impairment.

10. Trade and Interest Receivables

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Trade receivables	39,180	6,041
Interest receivables	<u>340</u>	<u>340</u>
	<u>39,520</u>	<u>6,381</u>

Trade receivables at 30 June 2016 mainly represent receivables from trading customers in relation to the sale of commodities in the period. Credit period granted to the customers ranges from 5 to 60 days.

Condensed Consolidated Financial Statements

10. Trade and Interest Receivables (continued)

The aging analysis of trade and interest receivables, based on the invoice due date or interest due date, and net of allowance, is as follows:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Not yet due or within 90 days	39,516	6,378
91 days to 180 days	<u>4</u>	<u>3</u>
	<u>39,520</u>	<u>6,381</u>

11. Trade Payables

The following is an aging analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Within 90 days	68,886	121,629
Over 360 days	<u>3,484</u>	<u>3,413</u>
	<u>72,370</u>	<u>125,042</u>

Condensed Consolidated Financial Statements

12. Share Capital

	Note	Number of shares '000	Amount HK\$'000
Ordinary shares, with par value of HK\$0.0025 per share			
Authorised:			
At 1 January 2015, 31 December 2015 and 30 June 2016		<u>200,000,000</u>	<u>500,000</u>
Issued and fully paid:			
At 1 January 2015 (audited)		3,655,820	9,140
Issue of new shares on placement	(i)	<u>730,000</u>	<u>1,825</u>
At 30 June 2015 (unaudited) and at 31 December 2015 (audited)		<u>4,385,820</u>	<u>10,965</u>
At 1 January 2016 (audited)		<u>4,385,820</u>	<u>10,965</u>
Issue of new shares under subscription	(ii)	<u>877,000</u>	<u>2,192</u>
At 30 June 2016 (unaudited)		<u>5,262,820</u>	<u>13,157</u>

Condensed Consolidated Financial Statements

12. Share Capital (continued)

Notes:

- (i) On 24 February 2015, 730,000,000 new ordinary shares of par value HK\$0.0025 each of the Company were issued under a share placement (the “**February 2015 Placement**”) at a placing price of HK\$0.161 each at an aggregate consideration of approximately HK\$117,530,000, of which approximately HK\$1,825,000 was credited to share capital and the remaining balance of approximately HK\$112,647,000 (net of issuing expenses of approximately HK\$3,058,000) was credited to the share premium account. Details of the February 2015 Placement were set out in the Company’s announcements dated 6 February 2015 and 24 February 2015.

- (ii) On 15 January 2016, the Company entered into a subscription agreement (the “**January 2016 Subscription**”) with Hua Lang Limited to allot and issue 877,000,000 new shares of par value of HK\$0.0025 each of the Company at a subscription price of HK\$0.14 each at an aggregate consideration of approximately HK\$122,780,000. The subscription agreement has been fulfilled and the completion of the January 2016 Subscription took place on 27 January 2016, of which approximately HK\$2,192,000 was credited to share capital and the remaining balance of approximately HK\$120,324,000 (net of issuing expenses of approximately HK\$264,000) was credited to the share premium account. Details of the January 2016 Subscription are disclosed in the Company’s announcements dated 15 and 27 January 2016.

Condensed Consolidated Financial Statements

13. Equity-settled share-based expense

The 2009 Share Option Scheme (the “2009 Scheme”)

The 2009 Scheme was adopted by the Company on 29 December 2009.

The purpose of the 2009 Scheme is to encourage the eligible participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions and to provide the participants with incentives and help the Company in retaining its existing employees and recruiting additional employees. A stronger business relationship will accordingly be established by the Group with the participants. Eligible participants of the 2009 Scheme include any employee, business associate and trustee.

The total number of shares which may be issued upon exercise of all options which may be granted under the 2009 Scheme shall not exceed 10% of the total number of shares in issue on 9 May 2016 when the share option limit was refreshed at the annual general meeting. The maximum number of shares issuable under share options to each eligible participant in the 2009 Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at anytime. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Any grant of option to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors. In addition, any share options granted to a substantial shareholder of the Company or an independent non-executive director or any of their respective associates in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer. The share option may be exercised at any time during the option period, which is determinable by the Company's Board of Directors and will not exceed 10 years from the date of grant of the options.

Condensed Consolidated Financial Statements

13. Equity-settled share-based expense (continued)

The exercise price of the share options is determinable by the Company's Board of Directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 6 April 2016, the Company granted 201,000,000 share options to certain of its directors, employees and other eligible participants at the exercise price of HK\$0.27 per share and are vested immediately. The closing share price at date of grant on 6 April 2016 was HK\$0.27.

The fair values of the share options granted in 2016 were determined using the Binomial Tree Option Pricing Model. Significant inputs into the calculation included expected volatilities of 54.13%, estimated expected life of 10 years, risk-free interest rate of 1.199% and dividend yield of 0%. The Binomial Tree Option Pricing Model was developed for use in estimating the fair value of traded options and requires input of highly subjective assumptions, including the expected life and stock price volatility. Since the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, the Binomial Tree Option Pricing Model does not necessarily provide a reliable measure of the fair value of the share options.

The fair values of the share options granted in 2016, measured at the date of grant, were approximately HK\$24,047,000 (unaudited). As the options are vested immediately, the amounts are recognised as share-based compensation in profit or loss at the date of grant. An aggregate amount of approximately HK\$24,047,000 (unaudited) has been charged as directors' remuneration, other staff cost and consultancy fees to profit or loss during the period (2015: nil). The corresponding amount has been credited in the share-based payment reserve.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Condensed Consolidated Financial Statements

13. Equity-settled share-based expense (continued)

The following tables disclose movements in the Company's share options during both periods:

Six months ended 30 June 2016

	Outstanding at 1 January 2016	Granted during the period	Reclassified during the period	Lapsed during the period	Outstanding at 30 June 2016	Grant date	Exercisable period	Exercise price
Directors								
Mr. Wong Lik Ping (note 3)	3,000,000	-	(3,000,000)	-	-	15 April 2010	15 April 2012- 14 April 2020	HK\$1.70
Mr. Ng Chi Lung	-	40,000,000	-	-	40,000,000	6 April 2016	6 April 2016- 5 April 2026	HK\$0.27
Mr. Wong Hok Bun, Mario	-	10,000,000	-	-	10,000,000	6 April 2016	6 April 2016- 5 April 2026	HK\$0.27
Mr. Chan Chi Ming, Tony	-	1,000,000	-	-	1,000,000	6 April 2016	6 April 2016- 5 April 2026	HK\$0.27
Mr. Wu Shiming	-	1,000,000	-	-	1,000,000	6 April 2016	6 April 2016- 5 April 2026	HK\$0.27
Mr. Chan Wah	-	1,000,000	-	-	1,000,000	6 April 2016	6 April 2016- 5 April 2026	HK\$0.27
Sub-total	3,000,000	53,000,000	(3,000,000)	-	53,000,000			
Other employees (note 4)	3,000,000	-	(3,000,000)	-	-	15 April 2010	15 April 2012- 14 April 2020	HK\$1.70
Other employee	-	1,000,000	-	-	1,000,000	6 April 2016	6 April 2016- 5 April 2026	HK\$0.27
Others	127,000,000	-	-	-	127,000,000	15 April 2010	15 April 2012- 14 April 2020	HK\$1.70
Others (note 1)	6,000,000	-	-	-	6,000,000	15 April 2010	15 April 2012- 30 November 2016	HK\$1.70
Others	12,500,000	-	-	-	12,500,000	15 April 2010	15 April 2012- 28 February 2017	HK\$1.70
Others (note 2)	6,000,000	-	-	-	6,000,000	15 April 2010	15 April 2012- 3 May 2017	HK\$1.70
Others (note 3)	-	-	3,000,000	-	3,000,000	15 April 2010	15 April 2012- 5 July 2017	HK\$1.70
Others (note 4)	-	-	3,000,000	-	3,000,000	15 April 2010	15 April 2012- 31 July 2017	HK\$1.70
Others	-	147,000,000	-	-	147,000,000	6 April 2016	6 April 2016- 5 April 2026	HK\$0.27
Total	157,500,000	201,000,000	-	-	358,500,000			

Condensed Consolidated Financial Statements

13. Equity-settled share-based expense (continued)

Six months ended 30 June 2015

	Outstanding at 1 January 2015	Reclassified during the period	Lapsed during the period	Outstanding at 30 June 2015	Grant date	Exercise period	Exercise price
Directors							
Mr. Wong Lik Ping	3,000,000	-	-	3,000,000	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Mr. Huang Bin	3,000,000	-	-	3,000,000	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Mr. Kee Wah Sze (note 1)	3,000,000	(3,000,000)	-	-	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Mr. Chan Pat Lam	3,000,000	-	-	3,000,000	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Mr. To Yan Ming Edmond (note 1)	3,000,000	(3,000,000)	-	-	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Sub-total	15,000,000	(6,000,000)	-	9,000,000			
Other employees	15,500,000	-	-	15,500,000	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Others	127,000,000	-	-	127,000,000	15 April 2010	15 April 2012– 14 April 2020	HK\$1.7
Others (note 5)	10,000,000	-	(10,000,000)	-	15 April 2010	15 April 2012– 30 April 2015	HK\$1.7
Others (note 1)	-	6,000,000	-	6,000,000	15 April 2010	15 April 2012– 30 November 2016	HK\$1.7
Total	167,500,000	-	(10,000,000)	157,500,000			

Notes:

- Mr. Kee Wah Sze and Mr. To Yan Ming Edmond resigned as independent non-executive directors on 31 May 2015. In accordance with the 2009 Scheme, the respective share options are exercisable within 18 months from their resignation.
- Mr. Huang Bin and Mr. Chan Pat Lam resigned as non-executive director and independent non-executive director respectively on 4 November 2015. In accordance with the 2009 Scheme, the respective share options are exercisable within 18 months from their resignation.
- Mr. Wong Lik Ping resigned as executive director on 6 January 2016. In accordance with the 2009 Scheme, the respective share options are exercisable within 18 months from his resignation.

Condensed Consolidated Financial Statements

13. Equity-settled share-based expense (continued)

Notes: (continued)

4. Some employees resigned during the period ended 30 June 2016. In accordance with the 2009 Scheme, the respective share options are exercisable within 18 months from their resignation.
5. 10,000,000 share options were granted to Mr. Ma Chi Shing. Mr. Ma Chi Shing resigned as executive director on 31 October 2013. In accordance with the 2009 Scheme, the respective share options are exercisable within 18 months from his resignation and were lapsed on 30 April 2015.

No option (2015: 10,000,000) was lapsed under the 2009 Scheme during the period ended 30 June 2016.

No share option was exercised or cancelled under the 2009 Scheme during the periods ended 30 June 2016 and 30 June 2015.

Apart from the 2009 Scheme, during the periods ended 30 June 2016 and 30 June 2015, no rights were granted to the directors, chief executives of the Company, or any of their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company.

All outstanding share options as at 30 June 2016 granted under the 2009 Scheme were either cancelled or lapsed after the period end, on 19 July 2016, as a result of the general offers made by Wide Bridge Limited to acquire all the issued shares of the Company and to cancel all outstanding options of the Company (other than those already owned by Wide Bridge Limited and parties acting in concert with it). Details of which are set out in the composite offer and response document dated 29 June 2016 jointly issued by Wide Bridge Limited and the Company. The share-based payment reserve balance is released to retained profit upon the share options were either cancelled or lapsed on 19 July 2016.

Condensed Consolidated Financial Statements

14. Related Party Transactions

Except for the related party transactions disclosed elsewhere in the financial statements, the Group has the following material transactions with its related parties as defined in HKAS 24 and/or connected person as defined in the Listing Rules during the period:-

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income from Golden Empires Limited (<i>note</i>)	1,500	–
	<hr/>	<hr/>
Key management compensation		
Salaries, allowances and other benefits in kind	1,011	1,106
Retirement scheme contributions	18	11
Equity-settled share-based payment expenses	4,562	–
	<hr/>	<hr/>
	5,591	1,117
	<hr/>	<hr/>

Note:

On 31 March 2016, Mr. Ng Chi Lung was appointed as executive director, vice chairman and authorized representative of the Company with effect from 1 April 2016. As Golden Empires Limited and Putian City Jin Di Huang Trading Company Limited* (莆田市金帝皇貿易有限公司) are wholly-owned by Ms. Ng Yin, the elder sister of Mr. Ng Chi Lung, the newly appointed executive director and vice chairman of the Company, while the terms of the loan agreement remain unchanged, the transaction thereunder has become a continuing connected transaction of the Company since Ms. Ng Yin, Golden Empires Limited, Putian City Jin Di Huang Trading Company Limited* (莆田市金帝皇貿易有限公司) have become related parties of the Company following the appointment of Mr. Ng Chi Lung as executive director and vice chairman of the Company.

Interest income from Golden Empires Limited for the period from 1 April 2016 (the date of which Golden Empires Limited becomes a related party) to 30 June 2016 was HK\$1,500,000.

* for identification purpose only

Condensed Consolidated Financial Statements

15. Event subsequent to the end of the Reporting Period

As disclosed in the composite offer and response document dated 29 June 2016 jointly issued by the Company and Wide Bridge Limited (the “**Offeror**”, a company incorporated in the British Virgin Islands (“**BVI**”)), and as detailed in the paragraph headed “Management Discussion and Analysis – Significant Events – Mandatory conditional cash offers” of this Interim Report, Haitong International Securities Company Limited, on behalf of the Offeror, made mandatory conditional cash offers (the “**Offers**”) to acquire all the issued shares of the Company and to cancel all outstanding options of the Company (other than those already owned by the Offeror and the parties acting in concert with it). The Offers have become unconditional in all respects on 5 July 2016 and was closed on 20 July 2016. Immediately after the close of the Offers, on 20 July 2016, the Offeror and parties acting in concert with it are interested in an aggregate of 2,670,961,100 shares, representing approximately 50.75% of the entire issued share capital of the Company.

In the opinion of the directors of the Company, the ultimate holding company of the Company, immediately after the close of the Offers, is Wide Bridge Limited.

Except as disclosed elsewhere in these condensed consolidated financial statements, there were no significant events subsequent to the end of the reporting period.

Management Discussion and Analysis

Business and Financial Review

Theme International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in (i) loan financing services in Hong Kong; and (ii) trading of chemical materials and commodities in Hong Kong. In and before March 2016, the Group was also engaged in retailing garments through the operation of retail outlets and department store counters in Taiwan.

Revenue, loss for the period and basic loss per share of the Group for the six months ended 30 June 2016 and 2015 are summarized as follows:

	Revenue		Loss for the period		Basic loss per share	
	Six months ended 30 June 2016	2015	Six months ended 30 June 2016	2015	Six months ended 30 June 2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(unaudited)	(unaudited)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
From operations	<u>526,217</u>	<u>22,440</u>	<u>(24,300)</u>	<u>(17,734)</u>	<u>HK(0.47) cents</u>	<u>HK(0.43) cents</u>

The Group recorded total revenue of approximately Hong Kong dollars (“**HK\$**”) 526,217,000 (2015: approximately HK\$22,440,000) for the six months ended 30 June 2016 (“**Interim Period**”), representing an increase of approximately HK\$503,777,000, or 2,245% over the corresponding prior period.

Reference is made to the announcements of the Company dated 6 November 2015 and 18 March 2016, since the Group’s garment retail business segment recorded losses for the past five financial years, coupled with the fact that operating cost was increasing and the business environment in retailing garments in Taiwan was highly competitive, the board (the “**Board**”) of directors (the “**Directors**”) of the Company resolved to cease the garment retailing business in Taiwan by the end of the first quarter of 2016.

Due to the scale back and subsequent ceassation of Taiwan’s garment retailing business, the Group recorded a decrease in garment retailing revenue to approximately HK\$750,000 in the Interim Period from approximately HK\$18,932,000 in the corresponding period last year.

The decrease in revenue from garment retailing business was offset by the increase in revenue generated by the two new business segments that commenced operation in 2015. The loan financing services business and distribution and trading business contributed revenue of approximately HK\$3,391,000 (2015: approximately HK\$130,000) and approximately HK\$522,076,000 (2015: approximately HK\$3,378,000) respectively during the Interim Period.

Management Discussion and Analysis

During the Interim Period, the Group granted out loans of an aggregate principal amount of HK\$65,390,000. The loans carries fixed interest rates from 10% to 15.6% per annum and provide a steady income stream to the Group. Loan interest income of approximately HK\$3,391,000 (2015: approximately HK\$130,000) was recorded by the wholly-owned subsidiary of the Company, Asia Develop Limited, which engages in loan financing services and holds a Money Lenders Licence, during the Interim Period. Details of the HK\$60,000,000 loan granted to Golden Empires Limited, the largest loan granted by the Group, is included in "Advance to an Entity and Connected Transaction" section below.

The Group has commenced its trading and distribution segment since May 2015. As disclosed in the Company's announcement dated 15 January 2016, the Group has further tapped into iron ore trading business since December 2015. In the Interim Period, King Topwell International Limited, a wholly-owned subsidiary of the Company, has recorded a total revenue of approximately HK\$522,076,000 (2015: approximately HK\$3,378,000) and a sale volume of over 1,642,000 tonnes of iron products.

Gross profit margin of the Group decreased to approximately 1.20% in the Interim Period from approximately 46% in 2015. The new distribution and trading business provides a steady income stream to the Group but at a much lower gross profit ratio as compared to the high gross profit in the garment retailing segment, therefore, lowering the overall gross profit of the Group in the Interim Period.

Loss for the period in the Interim Period increased to approximately HK\$24,300,000 from approximately HK\$17,734,000 for the corresponding prior period primarily due to an one-off, non-cash equity-settled share-based expenses of approximately HK\$24,047,000 recorded in the Interim Period. The expense is a result of the grant of share options to certain directors, employees and business associates of the Group on 6 April 2016. Details of the equity-settled share-based expenses is included in note 13 of the condensed consolidated financial statement.

Excluding the one-off, non-cash, equity-settled share-based expenses of approximately HK\$24,047,000, the Group recorded an adjusted loss for the period of approximately HK\$253,000 in the Interim Period, representing a decrease of approximately HK\$17,481,000 over the corresponding prior period. The Group has recorded segment profit for the two new segments – loan financing services business and distribution and trading business during the Interim Period of approximately HK\$1,753,000 (2015: loss of approximately HK\$1,322,000) and approximately HK\$2,259,000 (2015: approximately HK\$26,000) respectively, representing an increase of approximately HK\$3,075,000 and approximately HK\$2,233,000 as compared to the corresponding prior period respectively. The Interim Period is the first full operating period for the two new segments and with operating scale significantly increased due to the availability of new capital, the two segments were able to contribute positively to the Group in the Interim Period.

Management Discussion and Analysis

Segment loss from retailing of garment segment decreased from approximately HK\$11,403,000 in the corresponding prior period to approximately HK\$598,000 in the Interim Period as a result of the ceassation of the garment retailing segment during the Interim Period.

Corporate expenses (excluding the one off, non-cash, equity settled share-based expenses) has decreased from approximately HK\$5,384,000 in the corresponding prior period to approximately HK\$2,631,000 in the Interim Period. The Group has maintained a strict cost control policy and the expenses incurred by the head office decreased significantly in the Interim Period. The Group will continue to build on the fundamental established in the first half of the year to generate further return to the shareholders of the Group.

The basic loss per share increased to approximately HK0.47 cents for the Interim Period from approximately HK0.43 cents for the corresponding prior period.

Significant Events

January 2016 Subscription

On 15 January 2016, the Company entered into a subscription agreement with Hua Lang Limited to allot and issue 877,000,000 new shares of the Company (“**Share(s)**”) pursuant to the general mandate granted to the Directors at the annual general meeting held on 17 April 2015 at a subscription price of HK\$0.14 each (“**January 2016 Subscription**”). The subscription agreement has been fulfilled and the completion of the January 2016 Subscription took place on 27 January 2016. The Company has applied the entire net proceeds from the subscription to settlement of the payment for iron ore shipment contracts. Details of the January 2016 Subscription are disclosed in the Company’s announcements dated 15 and 27 January 2016.

Save as disclosed above, the Company had not conducted any other equity fund raising activities in the Interim Period and the period immediately prior to the date of this Interim Report.

Depending on the performance of the distribution and trading business, market conditions, volume of customer’s orders and the management’s ability to secure further contracts, the Company will continue to review its funding needs. The Board may raise further fund if opportunities arise and it considers appropriate, and any further proceeds are expected to be used in the further development of the distribution and trading business.

Mandatory conditional cash offers (the “**Offers**”)

As disclosed in the joint announcement dated 26 May 2016 and the composite offer and response document dated 29 June 2016 (the “**Composite Document**”) jointly issued by the Company and Wide Bridge Limited (the “**Offeror**”), the Board was informed by the Offeror that on 13 May 2016 and 19 May 2016, the Offeror has acquired a total of 1,609,700,000 shares of the Company (the “**Sale Share(s)**”)(representing approximately 30.59% of the entire issued share capital of the Company) at an aggregate cash consideration of approximately HK\$289,746,000, equivalent to HK\$0.18 per Sale Share. Completion of the transactions took place on or before 19 May 2016.

Management Discussion and Analysis

Upon completion of the transactions above, shareholdings of the Offeror and the parties acting in concert with it increased from approximately 0.02% to 30.61% of the existing issued share capital of the Company. Pursuant to the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), Haitong International Securities Company Limited, on behalf of the Offeror, made mandatory conditional cash offers to acquire all the issued shares of the Company and to cancel all outstanding options of the Company (other than those already owned by the Offeror and parties acting in concert with it) at HK\$0.18 for each Share (“**Share Offer**”) and HK\$0.0001 for each outstanding option (“**Option Offer**”). Pursuant to the joint announcement dated 5 July 2016 jointly issued by the Company and the Offeror, the Offers have become unconditional in all respects on 5 July 2016. Pursuant to the joint announcement dated 20 July 2016 jointly issued by the Company and the Offeror, the Offers were closed on 20 July 2016 and the Offeror received valid acceptances in respect of a total of 1,060,221,100 Shares under the Share Offer (representing approximately 20.15% of the entire issued share capital of the Company); and a total of 133,500,000 options under the Option Offer.

Immediately after the close of the Offers, on 20 July 2016, the Offeror and parties acting in concert with it are interested in an aggregate of 2,670,961,100 Shares, representing approximately 50.75% of the entire issued share capital of the Company.

Liquidity, Financial Resources and Capital Structure

Charges on Assets

As at 30 June 2016, none of the Group’s assets was pledged or subject to any encumbrance.

Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

Commodities price risk

The Group’s revenue and profit for the period were affected by fluctuations in the commodities price as all our goods are sold at the market prices and such fluctuation is beyond our control. The considerable fluctuation of commodities price would lead to the Group’s instability in operating results, especially in the event of a significant drop in commodities price which would have an adverse impact to the Group’s operating results.

Exposure to Fluctuations in Exchange Rates

The Group conducts most of its distribution and trading business in United States dollars (“**US\$**”). Foreign currency exposure to US\$ is minimal, as the HK\$ is pegged to the US\$.

As at 30 June 2016, the Group’s major assets and liabilities were denominated in either HK\$ or US\$. The Group had no material exposure to foreign exchange fluctuation.

Management Discussion and Analysis

Liquidity and Financial Resources

Following January 2016 Subscription, the Group has a strong financial position with net current assets of approximately HK\$203,212,000 (31 December 2015: approximately HK\$80,638,000), and net assets of approximately HK\$203,855,000 (31 December 2015: approximately HK\$81,409,000) respectively at 30 June 2016. As at 30 June 2016, there was no bank and other borrowings outstanding (31 December 2015: nil).

As at 30 June 2016, the current ratio (as defined as current assets divided by current liabilities) was 3.78 (31 December 2015: 1.64) and the gearing ratio (as defined as loans divided by net assets) was nil (31 December 2015: nil).

Capital Expenditure

During the Interim Period, there was no addition to the Group's property, plant and equipment (2015: approximately HK\$1,173,000).

As at 30 June 2016, the Group has no material capital expenditure commitment.

Human Resources

As at 30 June 2016, the Group had 9 employees in Hong Kong. Other than the competitive remuneration package offered to the employees, key staff may also be entitled to performance bonus and grant of options over the shares of the Company. Details of the share options being granted and outstanding under the share option scheme are set out in note 13 of the condensed consolidated financial statements.

Advance to an Entity and Connected Transaction

Pursuant to Rule 13.13 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), a general disclosure obligation arises where an advance to an entity from the Group exceeds 8% of the total assets of the Group. Pursuant to Rule 13.13 of the Listing Rules, details of advance as defined under Rule 13.15 of the Listing Rules which remained outstanding as at 30 June 2016 was as follow:

Loan to Golden Empires Limited

On 6 November 2015, Asia Develop Limited, a wholly-owned subsidiary of the Company, as lender (the "**Lender**"), entered into the Loan Agreement (the "**Loan Agreement**") with Golden Empires Limited, as borrower (the "**Borrower**") and Putian City Jin Di Huang Trading Company Limited* (莆田市金帝皇貿易有限公司) as mortgagor (the "**Mortgagor**"). Pursuant to the Loan Agreement, the Lender agreed to grant to the Borrower a loan of HK\$60 million for a term of 1 year from the date of the drawdown of the loan.

Management Discussion and Analysis

The principal terms of the Loan Agreement are as follows:

Principal amount:	HK\$60 million
Interest rate:	10% per annum, to be paid monthly
Loan period:	1 year
Repayment:	The Borrower shall repay the interests on a monthly basis and the principal amount at the end of the loan period
Early repayment:	Subject to the Lender's written consent, the Borrower may, with at least three (3) business days' prior written notice to the Lender, make early repayment of the balance of the loan that remains outstanding together with all interests accrued thereon
Security:	The loan is secured by the share mortgage executed by the Mortgagor in favour of the Lender by way of a share pledge over 20% issued share capital of Putian Di Yuan Properties Development Company Limited* (莆田帝源房地產開發有限公司), a company incorporated in the People's Republic of China (the "PRC") with limited liability.

* for identification purpose only

According to the relevant size tests under the Listing Rules applicable to the Loan Agreement, the loan was a major transaction and shareholders' approval was obtained in the special general meeting held on 17 December 2015. Drawdown of the loan was made on 18 December 2015 and the loan will become due and repayable on 17 December 2016. Details of the loan are set out in the Company's announcement dated 6 November 2015 and circular dated 2 December 2015 respectively.

On 31 March 2016, Mr. Ng Chi Lung was appointed as executive director, vice chairman and authorized representative of the Company with effect from 1 April 2016. As the Borrower and the Mortgagor are wholly-owned by Ms. Ng Yin, the elder sister of Mr. Ng Chi Lung, the newly appointed executive director and vice chairman of the Company, while the terms of the Loan Agreement remained unchanged, the transaction thereunder has become a continuing connected transaction of the Company since Ms. Ng Yin, the Borrower, the Mortgagor have become associates of the Company pursuant to Rules 14A.12(2)(a) and 14A.12(2)(b) of the Listing Rules following the appointment of Mr. Ng Chi Lung as executive director and vice chairman of the Company.

Management Discussion and Analysis

In accordance with Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements including publication of an announcement and annual reporting in respect of the Loan Agreement and to comply with all connected transactions requirements when the Loan Agreement is renewed or its terms are varied.

Future Prospect

In view of the highly competitive business environment in retailing garments and with reference to the past poor financial performance of the Group, the Group has decided to cease its operations in garment retailing segment in March 2016 and to focus its resources in the loan financing services business and distribution and trading business.

(i) Loan financing services

As at 30 June 2016, the Group has granted out a total of HK\$65,390,000 loan to customers, in which HK\$5,390,000 will be due in April 2017 and HK\$60,000,000 will be due in December 2016. The loan financing services segment provide a steady income stream to the Group and the Group will continue to carry out its loan review and further develop loan financing operation when opportunities arise.

The Group's target customers are corporate customers in Hong Kong, with target loans denominated in Hong Kong dollars and are made for a period of one year in general but could be extended on mutual agreement, and carried interest at fixed rates ranging from 10% to 16% per annum. The loans are either secured by collaterals or backed by guarantee.

(ii) Distribution and trading

The Group has tapped into trading business since May 2015 and has started trading iron products from December 2015. The Group has recorded a revenue of approximately HK\$522,077,000 from the distribution and trading segment during the Interim Period.

With the capital raised from the January 2016 Subscription, the additional funding allows the Group to further expand into the iron market. The Group has concluded a number of iron products contracts in the Interim Period and the Group is in ongoing negotiation with the current suppliers for the purchase of further iron ores. It is expected that further iron ore contracts may be entered into with the current suppliers or other major miners or international traders in the future.

Iron ore price has shown a strong rebound from multi-years low recorded in December 2015 and the management considers that the downside risk of further commodity prices fall is relatively low. Import of iron ore into the PRC for the period from January to July 2016 was 582 million tonnes, representing a 8.1% increase as compared to the same period the year before. With the expected domestic mining output growth to be slow due to the PRC government's continued consolidation to the sector and implementation of new

Management Discussion and Analysis

environmental policies that aims to reduce pollution, iron ore import from other low cost countries is likely to remain at a high level in the near future. The Group will continue its expansion in the distribution and trading segment in 2016 in order to maximize the return to shareholders.

By order of the Board of Directors

Ng Chi Lung

Vice Chairman and Executive Director

Hong Kong, 24 August 2016

Other Information

Compliance with Corporate Governance Code

Save and except for Code Provisions A.6.7, E.1.2, E.1.3 and A.2.1 as detailed below, the Company has complied with all the Code Provisions and to a certain extent of the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 (the “**CG Code**”) of the Listing Rules throughout the period for the six months ended 30 June 2016.

Under Code Provision A.6.7 of the CG Code, the independent non-executive directors and non-executive directors should attend general meetings of the Company. Mr. Wu Shiming was absent from the annual general meeting held on 9 May 2016 (“**2016 AGM**”) due to his other business commitments.

Under Code Provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. Since the resignation of the Chairman of the Company on 1 April 2016, the role of Chairman has been vacant and temporarily acted by Mr. Ng Chi Lung, the Vice Chairman of the Company to fill the casual vacancy of the position of Chairman. Mr. Ng Chi Lung has attended 2016 AGM.

Under Code Provision E.1.3 of the CG Code, the Company should arrange for notice to shareholders to be sent for its annual general meeting at least 20 clear business days before the meeting.

The 2016 AGM was held on 9 May 2016 with the notice for convening the 2016 AGM (the “**AGM Notice**”) and the relevant circular to the Company’s shareholders were dispatched on 15 April 2016. The notice period was less than 20 clear business days before the meeting. The Board was of the view that it was the best practicable date for the directors to attend the 2016 AGM as the directors each had different business commitments and appointments thereafter.

While the AGM Notice was sent to shareholders of the Company less than 20 clear business days before the 2016 AGM, the Company complied with the required notice period for its annual general meetings stipulated in its articles of association. The Board confirmed that it would have better time management in the future to avoid the matter happening again.

Other Information

Under Code Provision A.2.1 of the CG Code, the role of chairman and chief executive officer (“**CEO**”) should be separated and should not be performed by the same individual. Since the resignation of CEO of the Company in 2013, and the resignation of the Chairman of the Company on 1 April 2016, the roles of CEO and Chairman have been vacant and temporarily acted by Mr. Ng Chi Lung, the Vice Chairman of the Company to fill the casual vacancy of the positions of CEO and Chairman. Given the current corporate structure, the roles of CEO and Chairman are temporarily handled by Mr. Ng Chi Lung as the Board has not identified suitable candidates to be appointed as CEO and Chairman. However, before any suitable candidates have been appointed as CEO and Chairman, the Board considers that it is appropriate and in the best interests of the Company to maintain the current arrangement as all major decisions are made in consultation with the Board members and the senior management of the Company. The Board believes that Mr. Ng Chi Lung is able to maintain the continuity of the Company’s policies and the stability of the Company’s operations. The effectiveness of the corporate planning and implementation of corporate strategies and decisions will not be affected. The Board would segregate the roles of the Chairman and CEO when suitable candidates are appointed as CEO and Chairman.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. The Company has made specific enquiries with all directors of the Company and each of them confirmed that they have complied with the Model Code during the six months period ended 30 June 2016.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the six months period ended 30 June 2016, the Company had not redeemed any of its securities. Neither the Company nor any of its subsidiaries had purchased nor sold any of the Company’s securities during the six months period ended 30 June 2016.

Audit Committee

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee comprises the three independent non-executive Directors, Mr. Chan Chi Ming, Tony, Mr. Wu Shiming and Mr. Chan Wah. The primary duties of the Audit Committee are to review the Company’s annual and interim results and to review and supervise the Company’s financial reporting and internal control procedures.

Other Information

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed the internal controls and financial reporting matters, including review of the unaudited interim financial results of the Group for the six months ended 30 June 2016.

Directors' and Chief Executives' Long and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code and which have been notified to the Company and the Stock Exchange are as follows:

Name of director	Nature of interest	Number of ordinary shares	Number of underlying shares pursuant to share options	Approximate percentage of the total issued share capital of the Company
Mr. Ng Chi Lung	Directly beneficially owned	–	40,000,000	0.76%
Mr. Wong Hok Bun Mario	Directly beneficially owned	–	10,000,000	0.19%
Mr. Chan Chi Ming Tony	Directly beneficially owned	–	1,000,000	0.02%
Mr. Wu Shiming	Directly beneficially owned	–	1,000,000	0.02%
Mr. Chan Wah	Directly beneficially owned	–	1,000,000	0.02%

Save as disclosed above, as at 30 June 2016, no rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company were granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Other Information

Discloseable Interests and Short Positions of Persons other than Directors and Chief Executives

As at 30 June 2016, so far as known to the Directors or the chief executives of the Company, the following person is the shareholder (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares 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 be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange.

Name	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Wong Lik Ping (<i>Note 1</i>)	Beneficial Owner	6,750,000	0.13%
	Interests of a controlled corporation (<i>Note 1</i>)	1,062,507,798	20.19%
Mr. You Zhenhua (<i>Note 2</i>)	Beneficial Owner	1,040,000	0.02%
	Interests of a controlled corporation (<i>Note 2</i>)	1,609,700,000	30.59%

Notes:

- Mr. Wong Lik Ping, a previous executive director of the Company resigned on 6 January 2016, has a direct interest in 6,750,000 shares of the Company. In addition, Mr. Wong holds the entire share capital of Golden Bright Energy Limited, which in turn holds 1,062,507,798 shares of the Company.
- Mr. You Zhenhua has a direct interest in 1,040,000 shares of the Company. In addition, Mr. You holds 65% interest of Wide Bridge Limited, which in turn holds 1,609,700,000 shares of the Company.

Other Information

Share Option Scheme

Under the share option scheme of the Company adopted on 29 December 2009 (“**2009 Scheme**”), the Board of the Company may, at its discretion, grant options to certain directors, employees of the Group and other eligible participants to subscribe for shares of the Company. The purpose of the 2009 Scheme is to enable the Company to grant options to selected participants as incentives for their contributions to the Group.

In the period ended 30 June 2016, the Directors, employees of the Group and other eligible participants were granted unlisted options under the 2009 Scheme, details of which are set out in note 13 of the condensed consolidated financial statements.

Changes to Information in Respect of Directors

In the six months ended 30 June 2016 and up to the date of this report, pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the directors are as follows:

- Mr. Liu Bing has resigned as an executive director and ceased to act as a member of the nomination committee of the Company effective from 1 January 2016.
- Mr. Wong Lik Ping has resigned as an executive director and chairman of the Company effective from 6 January 2016.
- Ms. Wong Fung Chi was appointed as chairman of the Company effective from 6 January 2016.
- Mr. Ng Chi Lung was appointed as an executive director, vice chairman and an authorised representative of the Company effective from 1 April 2016.
- Ms. Wong Fung Chi has resigned as an executive director, chairman and an authorised representative of the Company with effect from 1 April 2016.

Further details are set out in the Company’s announcements dated 23 December 2015, 6 January 2016 and 31 March 2016 respectively.

Other than the information disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.