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Theme

THEME INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 990)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the “**Board**”) of directors (the “**Directors**”) of Theme International Holdings Limited (the “**Company**”) announces the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

| | Notes | 2016 HK\$'000 | 2015 HK\$'000 |
|--------------------------------------------------------------------|-------|--------------------|------------------|
| Revenue | 3 | 1,581,947 | 55,044 |
| Cost of sales | | <u>(1,569,092)</u> | <u>(42,418)</u> |
| Gross profit | | 12,855 | 12,626 |
| Other income, gain and loss | 4 | (662) | (473) |
| Selling and distribution expenses | | (600) | (17,665) |
| Administrative expenses | | <u>(35,506)</u> | <u>(18,215)</u> |
| Loss from operations | | (23,913) | (23,727) |
| Gain on disposal of subsidiaries | 5 | – | 444 |
| Loss on disposal of a joint venture | | – | (93) |
| Finance costs | 6 | <u>(1,643)</u> | <u>–</u> |
| Loss before taxation | | (25,556) | (23,376) |
| Income tax | 7 | <u>(381)</u> | <u>(7)</u> |
| Loss for the year attributable to owners of the Company | 8 | <u>(25,937)</u> | <u>(23,383)</u> |

| | | 2016 | 2015 |
|------------------------------------------------------------------------------------|--------------|------------------------|------------------------|
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Other comprehensive income/(loss): | | | |
| <i>Item that has been reclassified to profit or loss:</i> | | | |
| Exchange differences reclassified to profit or loss upon disposal of subsidiaries | | – | 115 |
| <i>Item that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | <u>197</u> | <u>(801)</u> |
| | | <u>197</u> | <u>(686)</u> |
| Total comprehensive loss for the year attributable to owners of the Company | | <u>(25,740)</u> | <u>(24,069)</u> |
| Loss per share | | | |
| – Basic and diluted (HK cents per share) | <i>10</i> | <u>(0.50)</u> | <u>(0.55)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

| | | 2016 | 2015 |
|------------------------------------------------------|--------------|-----------------------|----------------------|
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Non-current assets | | | |
| Property, plant and equipment | | <u>575</u> | <u>771</u> |
| Current assets | | | |
| Inventories | | – | 122,083 |
| Loans to customers | <i>11</i> | 5,390 | 65,000 |
| Trade and bills receivables and interest receivables | <i>12</i> | 558,203 | 6,381 |
| Prepayments, deposits and other receivables | <i>13</i> | 72,862 | 1,173 |
| Cash and bank balances | | <u>27,432</u> | <u>12,272</u> |
| | | <u>663,887</u> | <u>206,909</u> |
| Current liabilities | | | |
| Trade payables | <i>14</i> | 460,428 | 125,042 |
| Accruals and other payables | | 1,414 | 1,222 |
| Current tax liabilities | | <u>388</u> | <u>7</u> |
| | | <u>462,230</u> | <u>126,271</u> |
| Net current assets | | <u>201,657</u> | <u>80,638</u> |
| NET ASSETS | | <u><u>202,232</u></u> | <u><u>81,409</u></u> |
| Capital and reserves | | | |
| Share capital | | 13,157 | 10,965 |
| Reserves | | <u>189,075</u> | <u>70,444</u> |
| TOTAL EQUITY | | <u><u>202,232</u></u> | <u><u>81,409</u></u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. General Information

Theme International Holdings Limited is a limited liability company incorporated in Bermuda. The address of its registered office is Claredon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Suite 3604, 36/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are (i) provision of loan financing services in Hong Kong; and (ii) trading of chemical materials and commodities in Hong Kong and Singapore. In the first quarter of 2016, the Group was also engaged in retailing garments through the operation of retail outlets and department store counters in Taiwan. The garment retail business was ceased by the end of March 2016.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. Revenue and Segment Information

(a) Revenue

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

| | 2016 | 2015 |
|-----------------------------------------|-------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Sales from trading of goods | 1,576,354 | 33,225 |
| Interest income from loans to customers | 4,850 | 730 |
| Retailing of garments | 743 | 21,089 |
| | <u>1,581,947</u> | <u>55,044</u> |

(b) Segment information

The Group determines its operating segment 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 year ended 31 December 2016, the Group's reportable and operating segments are as follows:

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

Segment information and results:

The follow is an analysis of the Group's revenue and results by reportable segments:

Year ended 31 December 2016

| | Distribution and trading <i>HK\$'000</i> | Loan financing services <i>HK\$'000</i> | Retailing of garments <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--------------------------------------------|---------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------|----------------------------------|
| Revenue | <u>1,576,354</u> | <u>4,850</u> | <u>743</u> | <u>1,581,947</u> |
| Segment profit/(loss) | <u>6,048</u> | <u>1,904</u> | <u>(729)</u> | 7,223 |
| Unallocated other income, gain and loss | | | | (685) |
| Finance costs | | | | (1,643) |
| Share-based compensation expenses | | | | (24,047) |
| Corporate expenses | | | | <u>(6,404)</u> |
| Loss before taxation | | | | <u>(25,556)</u> |

Year ended 31 December 2015

| | Distribution and trading <i>HK\$'000</i> | Loan financing services <i>HK\$'000</i> | Retailing of garments <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--------------------------------------------|---------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------|----------------------------------|
| Revenue | <u>33,225</u> | <u>730</u> | <u>21,089</u> | <u>55,044</u> |
| Segment profit/(loss) | <u>75</u> | <u>(3,620)</u> | <u>(12,319)</u> | (15,864) |
| Unallocated other income, gain and loss | | | | 1,455 |
| Gain on disposal of subsidiaries | | | | 444 |
| Loss on disposal of a joint venture | | | | (93) |
| Corporate expenses | | | | <u>(9,318)</u> |
| Loss before taxation | | | | <u>(23,376)</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, finance costs and taxation. This is the measure reporting to the executive directors for the purposes of resource allocation and making strategic decision.

Segment assets and liabilities:

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

As at 31 December 2016

| | Distribution and trading <i>HK\$'000</i> | Loan financing services <i>HK\$'000</i> | Retailing of garments <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|------------------------------------------------------------|---------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------|----------------------------------|
| Segment assets | <u>643,307</u> | <u>7,676</u> | <u>147</u> | 651,130 |
| Unallocated property, plant and equipment | | | | 16 |
| Unallocated prepayments, deposits and other receivables | | | | 2,380 |
| Unallocated cash and bank balances | | | | <u>10,936</u> |
| Consolidated assets | | | | <u>664,462</u> |
| Segment liabilities | <u>457,318</u> | <u>31</u> | <u>3,585</u> | 460,934 |
| Unallocated accruals and other payables | | | | <u>1,296</u> |
| Consolidated liabilities | | | | <u>462,230</u> |

As at 31 December 2015

| | Distribution and trading <i>HK\$'000</i> | Loan financing services <i>HK\$'000</i> | Retailing of garments <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|------------------------------------------------------------|------------------------------------------------|--------------------------------------------------|---------------------------------------------|--------------------------|
| 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> |

Other segment information:

| | Loan financing services <i>HK\$'000</i> | Retailing of garments <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-----------------------------------------------|--------------------------------------------------|---------------------------------------------|--------------------------|
| Depreciation of property, plant and equipment | <u>160</u> | <u>3</u> | <u>163</u> |

Year ended 31 December 2016

Amounts included in the measure of segment results or segment assets:

| | Loan financing services <i>HK\$'000</i> | Retailing of garments <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--------------------------------------------------|---------------------------------------------|--------------------------|
|--|--------------------------------------------------|---------------------------------------------|--------------------------|

Year ended 31 December 2015

*Amounts included in the measure of segment
results or segment assets:*

| | | | |
|-----------------------------------------------|-----|-------|-------|
| Additions of property, plant and equipment | 802 | 662 | 1,464 |
| Depreciation of property, plant and equipment | 83 | 1,047 | 1,130 |

Geographical information:

| | Revenue | | Non-current assets | |
|-----------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
| Hong Kong | 1,181,287 | 33,955 | 575 | 725 |
| Singapore | 399,917 | – | – | – |
| Taiwan | 743 | 21,089 | – | 46 |
| | <u>1,581,947</u> | <u>55,044</u> | <u>575</u> | <u>771</u> |

In presenting the geographical information, revenue is based on the location where the business activities were carried out.

Information about major customers

Revenue from three (2015: one) customers from the Group's distribution and trading business segment contributing over 10% of the total revenue of the Group represents approximately HK\$1,454,285,000 (2015: approximately HK\$27,139,000) of the Group's total revenue.

4. Other Income, Gain and Loss

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|----------------------------------------------------------|-------------------------|-------------------------|
| Interest income on bank deposits | 4 | 17 |
| Exchange loss, net | (771) | (335) |
| Gain/(loss) on disposal of property, plant and equipment | 22 | (1,858) |
| Others | 83 | 1,703 |
| | <u>(662)</u> | <u>(473)</u> |

5. Disposal of Subsidiaries

On 9 April 2015, the Group disposed of its entire interests in City Code Investments Limited and its subsidiary, Zhongshan City Hewan Stone Technology Limited* (中山市合萬石材科技有限公司). The principal activity of City Code Investments Limited was investment holding and Zhongshan City Hewan Stone Technology Limited* was previously principally engaged in trial production of environmental building materials.

Net assets at the date of disposal were as follows:

| | <i>HK\$'000</i> |
|-------------------------------------------------|---------------------|
| Property, plant and equipment | 2,225 |
| Inventories | 482 |
| Prepayment, deposits and other receivables | 44 |
| Cash and bank balances | 3,759 |
| Accruals and other payables | (243) |
| Shareholder's loan | <u>(8,411)</u> |
| Net assets disposed of | (2,144) |
| Assignment of the shareholder's loan | 8,411 |
| Release of foreign currency translation reserve | 115 |
| Direct cost to the disposal | 14 |
| Gain on disposal of subsidiaries | <u>444</u> |
| Total consideration – satisfied by cash | <u><u>6,840</u></u> |
| Net cash inflow arising on disposal: | |
| Cash consideration received | 6,840 |
| Cash paid for direct cost | (14) |
| Cash and cash equivalents disposed of | <u>(3,759)</u> |
| | <u><u>3,067</u></u> |

* *for identification purpose only*

6. Finance Costs

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| Bills discounting interest expenses | <u>1,643</u> | <u>–</u> |

7. Income Tax

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-------------|-------------------------|-------------------------|
| Current tax | <u>381</u> | <u>7</u> |

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits in respect of the Group's operating entities in Hong Kong for the year. Singapore Corporate Income Tax is provided using the Singapore standard rate of income tax of 17% for the year ended 31 December 2016. The profit tax rate prevailing in Taiwan is 17% for both years and no provision for Taiwan profit tax was made in both years as the Company and its subsidiaries have no assessable profit arising in Taiwan.

The reconciliation between the income tax and loss before tax is as follows:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Loss before taxation | <u>25,556</u> | <u>23,376</u> |
| Notional tax on loss before taxation, calculated at the rates applicable in the jurisdiction concerned | (4,217) | (3,906) |
| Tax effect on income that is not taxable | (89) | (245) |
| Tax effect of expenses that are not deductible | 4,139 | 325 |
| Over provision in respect of prior years | (6) | – |
| Utilisation of tax losses previously not recognised | (680) | – |
| One-off tax reduction | (98) | – |
| Tax losses not recognised | <u>1,332</u> | <u>3,833</u> |
| | <u>381</u> | <u>7</u> |

At the end of the reporting period, subject to agreement with tax authorities, the Group has unused tax losses of approximately HK\$374,706,000 (2015: approximately HK\$409,049,000) available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unused tax losses are losses of approximately HK\$36,042,000 (2015: approximately HK\$48,705,000) that will expire on or before 2025 (2015: expire on or before 2024), other tax losses may be carried forward indefinitely.

8. Loss for the Year

The Group's loss for the year is stated after charging the following:

| | <i>Notes</i> | 2016 HK\$'000 | 2015 <i>HK\$'000</i> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------------------------|-------------------------|
| Cost of inventories recognised as expenses (included net reversal of allowance of approximately HK\$903,000 (2015: approximately HK\$1,724,000) for obsolete inventories) | (a) | 1,569,092 | 42,418 |
| Depreciation of property, plant and equipment | | 168 | 1,415 |
| Auditor's remuneration | | 543 | 500 |
| Operating lease rentals in respect of rented premises | | 1,241 | 7,221 |
| Directors' remuneration | (b) | 8,014 | 2,800 |
| Consultancy fees | (b) | 19,118 | – |
| Other staff costs | (b) | | |
| – salaries, bonuses and allowances | | 2,195 | 12,012 |
| – retirement benefits scheme contributions | | 59 | 472 |
| | | 2,254 | 12,484 |

Notes:

- (a) Excess obsolete inventory provisions were reversed when the relevant inventories were sold.
- (b) 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.

9. Dividend

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2016 (2015: Nil).

10. Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company was based on the loss for the year attributable to owners of the Company of approximately HK\$25,937,000 (2015: approximately HK\$23,383,000) and the weighted average number of approximately 5,200,519,000 (2015: approximately 4,277,820,000) ordinary shares in issue during the year.

(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.

11. Loans to Customers

| | 2016 | 2015 |
|--------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Loans to customers | <u>5,390</u> | <u>65,000</u> |

The fixed-rate loans receivable of HK\$5,390,000 (2015: HK\$65,000,000) as at 31 December 2016 under the Group's loan financing services operation represent loan advances to one (2015: two) independent third party(ies) which is secured by personal guarantee (2015: pledge of certain shares in a private company and personal guarantee). The interest rate for the loans to customers was 12% (2015: ranging from 10% to 15.6%) per annum.

The loan made available to customers depends on management's assessment of credit risk on the customers by evaluation on background check and repayment abilities. The Group determines the allowance of impaired debts based on the evaluation of collectability and aging analysis of accounts and on the management's judgment, including assessment of change of credit quality and the past collection history of each customer. There are no loans to customers which were past due at the end of reporting period and the Directors consider that no impairment was necessary.

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:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Less than 1 month | – | 60,000 |
| 7 to 12 months | <u>5,390</u> | <u>5,000</u> |
| | <u>5,390</u> | <u>65,000</u> |

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|------------------|--------------------------------|-------------------------|
| Not yet past due | <u>5,390</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.

A summary of the principal of the collateralised and non-collateralised loans to customers at the end of the reporting period is as follows:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---------------------------------------|--------------------------------|-------------------------|
| Collateralised | – | 60,000 |
| Non-collateralised but with guarantee | <u>5,390</u> | <u>5,000</u> |
| | <u>5,390</u> | <u>65,000</u> |

The fair value of collaterals, as assessed by the management, at loans' inception date is not less than the principal amount of the relevant loans.

12. Trade and Bills Receivables and Interest Receivables

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Trade and bills receivables | 557,772 | 6,041 |
| Interest receivables | <u>431</u> | <u>340</u> |
| | <u>558,203</u> | <u>6,381</u> |

Trade and bills receivables as at 31 December 2016 mainly represent receivables from trading customers and relevant bills issuing banks in relation to the sale of commodities (2015: receivables from department stores in relation to the collection of sales proceeds from concessionaire sales of merchandise to customers). The majority of the Group's sales in the year are on letter of credit or document against payment. The remaining sales are with average credit period of 5 to 90 days (2015: 90 days).

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Not yet due or within 90 days | 558,187 | 6,378 |
| 91 days to 180 days | – | 3 |
| Over 360 days | <u>16</u> | <u>–</u> |
| | <u>558,203</u> | <u>6,381</u> |

The Group has policy of providing allowance for bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment including credit worthiness and past collection history of each debtor.

In determining the recoverability of the trade and bills receivables and interest receivables, the Group considers any changes in the credit quality of the trade and bills receivables and interest receivables from the date credit was initially granted up to the end of the reporting period. Accordingly, the Directors believe that no allowance for bad and doubtful debts is required. No allowance for bad and doubtful debts are provided for trade and bills receivables and interest receivables during the year and at the end of the reporting period.

13. Prepayments, Deposits and Other Receivables

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Trade deposits | 70,082 | – |
| Prepayments | 1,008 | 671 |
| Deposits and other receivables | <u>1,772</u> | <u>502</u> |
| | <u><u>72,862</u></u> | <u><u>1,173</u></u> |

As at 31 December 2016, trade deposits were paid to a major supplier for the purchases of commodities.

14. Trade Payables

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Trade payables | <u>460,428</u> | <u>125,042</u> |

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 90 days | 456,966 | 121,629 |
| Over 360 days | <u>3,462</u> | <u>3,413</u> |
| | <u><u>460,428</u></u> | <u><u>125,042</u></u> |

15. Equity-Settled Share Option Scheme

The Share Option Scheme of the Company (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 associates and trustee.

The 2009 Scheme shall be valid and effective for a period of 10 years commencing from the approval of the 2009 Scheme.

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.

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 and exercisable 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. 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 has been charged as directors' remuneration, other staff cost and consultancy fees during the year (2015: Nil). The corresponding amount has been credited to 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.

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

2016

| | Note | Outstanding at 1 January 2016 | Granted during the year | Reclassified during the year | Lapsed/ cancelled during the year (note 7) | Outstanding at 31 December 2016 | Grant date | Exercisable period | Exercise price |
|----------------------------|------|----------------------------------|-------------------------------|------------------------------------|--------------------------------------------------------|---------------------------------------|---------------|----------------------------------------|-------------------|
| Directors | | | | | | | | | |
| Mr. Wong Lik Ping | 1 | 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 | 2 | 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 | 3 | 6,000,000 | - | - | (6,000,000) | - | 15 April 2010 | 15 April 2012 – 30 November 2016 | HK\$1.70 |
| Others | 5 | 12,500,000 | - | - | (12,500,000) | - | 15 April 2010 | 15 April 2012 – 28 February 2017 | HK\$1.70 |
| Others | 4 | 6,000,000 | - | - | (6,000,000) | - | 15 April 2010 | 15 April 2012 – 3 May 2017 | HK\$1.70 |
| Others | 1 | - | - | 3,000,000 | (3,000,000) | - | 15 April 2010 | 15 April 2012 – 5 July 2017 | HK\$1.70 |
| Others | 2 | - | - | 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) | - | | | |

2015

| | Note | Outstanding at 1 January 2015 | Granted during the year | Reclassified during the year | Lapsed during the year | Outstanding at 31 December 2015 | Grant date | Exercisable period | Exercise price |
|----------------------------|------|----------------------------------|-------------------------------|------------------------------------|------------------------------|---------------------------------------|---------------|----------------------------------------|-------------------|
| Directors | | | | | | | | | |
| Mr. Wong Lik Ping | | 3,000,000 | - | - | - | 3,000,000 | 15 April 2010 | 15 April 2012 – 14 April 2020 | HK\$1.70 |
| Mr. Huang Bin | 4 | 3,000,000 | - | (3,000,000) | - | - | 15 April 2010 | 15 April 2012 – 14 April 2020 | HK\$1.70 |
| Mr. Kee Wah Sze | 3 | 3,000,000 | - | (3,000,000) | - | - | 15 April 2010 | 15 April 2012 – 14 April 2020 | HK\$1.70 |
| Mr. Chan Pat Lam | 4 | 3,000,000 | - | (3,000,000) | - | - | 15 April 2010 | 15 April 2012 – 14 April 2020 | HK\$1.70 |
| Mr. To Yan Ming, Edmond | 3 | 3,000,000 | - | (3,000,000) | - | - | 15 April 2010 | 15 April 2012 – 14 April 2020 | HK\$1.70 |
| Sub-total | | 15,000,000 | - | (12,000,000) | - | 3,000,000 | | | |
| Other employees | 5 | 15,500,000 | - | (12,500,000) | - | 3,000,000 | 15 April 2010 | 15 April 2012 – 14 April 2020 | HK\$1.70 |
| Others | | 127,000,000 | - | - | - | 127,000,000 | 15 April 2010 | 15 April 2012 – 14 April 2020 | HK\$1.70 |
| Others | 6 | 10,000,000 | - | - | (10,000,000) | - | 15 April 2010 | 15 April 2012 – 30 April 2015 | HK\$1.70 |
| Others | 3 | - | - | 6,000,000 | - | 6,000,000 | 15 April 2010 | 15 April 2012 – 30 November 2016 | HK\$1.70 |
| Others | 5 | - | - | 12,500,000 | - | 12,500,000 | 15 April 2010 | 15 April 2012 – 28 February 2017 | HK\$1.70 |
| Others | 4 | - | - | 6,000,000 | - | 6,000,000 | 15 April 2010 | 15 April 2012 – 3 May 2017 | HK\$1.70 |
| Total | | <u>167,500,000</u> | <u>-</u> | <u>-</u> | <u>(10,000,000)</u> | <u>157,500,000</u> | | | |

Notes:

1. 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.
2. Some employees resigned during the year ended 31 December 2016. In accordance with the 2009 Scheme, the respective share options are exercisable within 18 months from their resignation.
3. 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.
4. 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.

5. Some employees resigned during the year ended 31 December 2015. In accordance with the 2009 Scheme, the respective share options are exercisable within 18 months from their resignation.
6. 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.
7. 358,500,000 share options was lapsed or cancelled during the year ended 31 December 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). The share-based payment reserve balance is released to retained profit upon the share options were either cancelled or lapsed during the year ended 31 December 2016.

No share option was exercised under the 2009 Scheme during the years ended 31 December 2016 and 2015. 358,500,000 share options under the 2009 Scheme were lapsed or cancelled during the year ended 31 December 2016 (2015: nil). There were no share options outstanding as at 31 December 2016 (2015: 157,500,000 options outstanding).

Apart from the 2009 Scheme, during the year ended 31 December 2016 and 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.

16. Related Party Transactions

Except for the related party transactions disclosed elsewhere in the consolidated 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 year:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-------------------------------------------------------------|-------------------------|-------------------------|
| Interest income from Golden Empires Limited (<i>note</i>) | <u>2,659</u> | <u>–</u> |

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 31 December 2016 was approximately HK\$2,659,000.

* *for identification purpose only*

VICE CHAIRMAN'S STATEMENT

On behalf of the Board (the “**Board**”) of Directors (the “**Director(s)**”) of Theme International Holdings Limited (“**Theme**” or the “**Company**”) and its subsidiaries (collectively as the “**Group**”), I am pleased to present the annual results of the Group for the year ended 31 December 2016 (the “**Year**”).

In March 2016, in view of the disappointing performance of the Taiwan garment retailing business, Theme resolved to cease the garment retailing business by the end of March 2016, after all the remaining inventory was sold, to prevent further loss.

Since the cessation of Taiwan garment retailing business, Theme focused on the development of the Group's remaining two businesses, namely, the distribution and trading business and loan financing services business. Theme started these two new businesses in mid-2015 and 2016 was the first full year operation of the two new businesses where revenue of the two new businesses have increased by approximately 47.4 times and 6.6 times respectively in the Year as compared to 2015.

Despite encountered many difficulties upon entering and operating the two new businesses, the two new businesses managed to record segment profit in the Year of approximately Hong Kong dollars (“**HK\$**”) 6,048,000 and approximately HK\$1,904,000 respectively. The two new businesses are still in their startup stage and the management believes the continuing development of these two new businesses will provide Theme a good opportunity to turnaround in 2017.

Theme issued 877,000,000 new shares of the Company under general mandate in January 2016 to further enhance the working capital of the Group. The Group subsequently applied the net proceeds from the issuance of the new shares to develop a new commodity line, namely iron ore trading, in the Year.

The Group traded iron ore mainly in the Year, sourcing iron ore from overseas market and selling to customers in the People's Republic of China (the “**PRC**”). Iron ore has recorded a significant gain in 2016 where iron ore price has jumped from United States dollars (“**US\$**”) 43.25 per tonne at the beginning of the year to US\$79.65 per tonne at the end of the year. The continuous increase in iron ore price, couple with the PRC's new record of iron ore import from overseas of 1.024 billion tonnes in 2016, gave the Group the opportunity to enter the iron ore market in a profitable way.

Despite growth is slowing in the PRC, the PRC government's effort in closing low grade iron ore mines to curb air pollution have led to the increasing demand of higher quality imports from Australia and Brazil. Moreover, the property sector in the PRC was growing and the demand for constructions materials has increased continuously in the PRC. Import of iron ore from overseas to the PRC have increased by 7.5% from 952 million tonnes of iron ore in 2015 to 1.024 billion tonnes in 2016. We believe the trend will continue in 2017 and there is a huge potential in iron ore trading into the PRC and this provide a good opportunity for Theme to expand further in this aspect.

The Group entered into loan financing services business by successfully applied its money lenders licence in June 2015. During the Year, the maximum amount of loans outstanding at a time was HK\$65.39 million and the interest rate of the loans granted ranged from 10% to 15.6% per annum.

The loan financing services business provides Theme with a steady cashflow and positive return. The Group will continuously evaluate the performance of the loans to ensure risk to the Group is minimal. We believe there is a huge potential in the money lending market in Hong Kong with bank mortgage harder to obtain from banks and this provide a good opportunity for Theme to grow in this aspect.

In 2017, the Group will continue its expansion into two new segments. As announced in the Company's announcement on 14 December 2016, Theme has submitted its application for securities licences covering several regulated activities under the Securities and Futures Ordinance ("SFO"). The Group aims to establish a full service securities firm which could better serve customers in Hong Kong and Asia.

Also, the Group will also expand its trading business by trading other bulk commodities products, including steel products. Theme hopes the two businesses can further improve and can bring positive impact to the Group's financial performance in 2017. The Group will try its best effort to achieve a financial growth for the Group to maximise shareholders' value.

I would like to take this opportunity to express my deepest gratitude to all the shareholders, my fellow directors, management team and staff to the Group for their support and contributions to the Group throughout the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Theme International Holdings Limited and its subsidiaries are principally engaged in (i) loan financing services in Hong Kong; and (ii) trading of chemical materials and commodities in Hong Kong and Singapore. In the first quarter of 2016, the Group was also engaged in retailing garments through the operation of retail outlets and department store counters in Taiwan. The garment retail business was ceased by the end of March 2016.

FINANCIAL AND BUSINESS REVIEW

Revenue, loss for the year and basic loss per share of the Group for the years ended 31 December 2016 and 2015 are summarised as follows:

| | Revenue | | Loss for the year | | Basic loss per share | |
|-----------------|------------------|-----------------|-------------------|-----------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | | |
| From operations | <u>1,581,947</u> | <u>55,044</u> | <u>(25,937)</u> | <u>(23,383)</u> | <u>HK(0.50) cents</u> | <u>HK(0.55) cents</u> |

The Group recorded total revenue of approximately HK\$1,581,947,000 (2015: approximately HK\$55,044,000) for the Year, representing an increase of approximately 28.7 times over corresponding prior year.

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 resolved to cease the garment retailing business in Taiwan by the end of the first quarter of 2016.

Due to the cessation of Taiwan's garment retailing business, the Group recorded a decrease in garment retailing revenue to approximately HK\$743,000 in the Year from approximately HK\$21,089,000 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 mid 2015. The loan financing services business and distribution and trading business contributed revenue of approximately HK\$4,850,000 (2015: approximately HK\$730,000) and approximately HK\$1,576,354,000 (2015: approximately HK\$33,225,000) respectively for the Year.

The maximum amount of loans outstanding at a time during the Year was 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\$4,850,000 (2015: approximately HK\$730,000) 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 Year.

The loan financing services business has recorded a segment profit of approximately HK\$1,904,000 in the Year, a significant improvement as compared to a segment loss of approximately HK\$3,620,000 recorded in the year ended 31 December 2015. 2016 is the first full operating year for the segment and the segment is able to record its first ever profit for the year.

The Group commenced its trading and distribution segment in May 2015. As disclosed in the Company's announcement dated 15 January 2016, the Group has tapped into iron ore trading business since December 2015. In the Year, the Group has recorded a total revenue of approximately HK\$1,576,354,000 (2015: approximately HK\$33,225,000). The volume of iron ore products traded in the Year was over 3,903,000 tonnes.

The distribution and trading business has recorded a segment profit of approximately HK\$6,048,000 in the Year, representing a 80.6 times increase as compared to approximately HK\$75,000 recorded in the year ended 31 December 2015. Theme raised new capital in the beginning of 2016 where proceeds of which were all applied to the distribution and trading segment. This has enhanced the scale of our distribution and trading operations and the Group has benefited from the expanded scale.

Segment loss from retailing of garment segment decreased from approximately HK\$12,319,000 in the corresponding prior year to approximately HK\$729,000 in the Year as a result of the ceassation of the garment retailing segment during the Year.

Corporate expenses (excluding the one-off, non-cash, equity-settled share-based expenses of approximately HK\$24,047,000) has decreased from approximately HK\$18,215,000 in the corresponding prior year to approximately HK\$11,459,000 in the Year. The Group has maintained a strict cost control policy and the expenses incurred by the head office decreased significantly in the Year. The Group will continue to build on the fundamental established in the Year to generate further return to the shareholders of the Group.

Gross profit margin of the Group decreased to approximately 0.81% in the Year from approximately 22.94% in 2015. The new distribution and trading business provides a steady income stream to the Group but with 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 Year.

Loss for the year increased to approximately HK\$25,937,000 in the Year from approximately HK\$23,383,000 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 Year. The expense was 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 15 to the consolidated financial statements.

| | 2016 | 2015 |
|-----------------------------------------------|------------------------------|------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Loss for the year | (25,937) | (23,383) |
| Add back: Equity-settled share-based expenses | <u>24,047</u> | <u>–</u> |
| Underlying loss for the year | <u><u>(1,890)</u></u> | <u><u>(23,383)</u></u> |

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 year of approximately HK\$1,890,000 in the Year, representing a decrease of approximately HK\$21,493,000 over the corresponding prior year. The decrease in loss for the year was mainly a result of the decrease in selling and distribution expenses by approximately HK\$17,065,000 and the decrease in administrative expenses by approximately HK\$6,756,000, offsetting by the increase in finance costs of approximately HK\$1,643,000 and the increase in current tax expenses of approximately HK\$374,000.

Basic loss per share decreased slightly to approximately HK0.50 cents for the Year from HK0.55 cents for the year ended 31 December 2015.

FUTURE PROSPECTS

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 ceased its operations in garment retailing segment in 2016. In 2017, the Group will focus on the continuing development of the financial services business and the distribution and trading business.

(i) Financial services business

The Company is extending the scope of its principal activities to include the provision of a wide range of financial services, including securities brokerage services, future contracts brokerage services, placing and underwriting services, corporate finance advisory services, provision of margin financing, money lending business and investment advisory and asset management services.

– Money Lending

Since June 2015, the Group has commenced money lending business in Hong Kong through Asia Develop Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, which has successfully obtained a money lender's licence in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

The Group will continue to carry out its loan review and further develop loan financing operation. 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.

– ***Securities Dealing***

As announced in the Company's announcement on 14 December 2016, the Group intends to extend the scope of its existing principal business activities to include the provision of securities and futures contracts brokerage services, placing and underwriting services, the provision of corporate finance advisory services, provision of margin financing, investment advisory and asset management services.

The Group is working towards establishing a full service securities firm registered under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities to facilitate securities and futures contracts trading and investments to the extent permitted under Hong Kong law. Revenue is expected to be generated in the form of, among others, brokerage commissions, margin financing interests, financial advisory fees, placing or underwriting commission/arrangement fees, fund management fees and derived from investment and trading in securities.

As at 31 December 2016, the Group has submitted its application for licences covering type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO. Thereafter, the Group will further apply for licences covering other regulated activities, including type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO.

Hong Kong is the leading financial centre in Asia. With the Shanghai-Hong Kong Stock Connect programme and Shenzhen-Hong Kong Stock Connect programme launched in November 2014 and December 2016 respectively, the Board believes that there will be a lot of business opportunities in the financial services sector.

The Board considers that entering into the new businesses will provide good business opportunities to the Group and will diversify its business scope with a view to achieve better return to the Company and its shareholders.

(ii) Distribution and trading

The Group has tapped into trading business since May 2015 and has recorded a trading volume of approximately HK\$1,576,354,000 (2015: approximately HK\$33,225,000) during the Year. The Group is planning to expand the distribution and trading business by commencing the trading of other commodities, including steel products.

The Group has started trading steel products in January 2017 and the Group is in ongoing negotiation with current and potential suppliers for the purchase of further bulk commodities, including iron ore, steel products and other products.

Notwithstanding the annual economic growth rate in the PRC has been gradually slowing down in recent years, it is expected that it will grow at a more steady pace, and the continuous growth in the PRC's construction sector that leads to increasing demand of construction materials, the long term commodity demand from the PRC is expected to continue to rise and the management is of the view that the steady growth in commodity trading will bring a positive impact to the Group.

Seizing historic opportunities presented by the PRC's national economic initiatives and industrial transformation, such as "One Belt, One Road", the Group will continue its expansion in the distribution and trading segment in 2017 with a view to achieving the best interests of the Company and the Shareholders as a whole.

The Group will also continuously evaluate the performance of every single business unit of the Group and adjust its overall business strategy. The Board aims at further improving the operating profit of every business unit in order to improve the overall financial performance of the Group.

FUND RAISING ACTIVITIES

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 ("**Shares**") pursuant to the general mandate granted to the directors of the Company 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 further develop the distribution and trading business that the Group is developing. Details of the January 2016 Subscription are disclosed in the Company's announcements dated 15 and 27 January 2016 and in the "Use of Proceeds" section below.

Depending on the performance of the Group's 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 Group's business.

SIGNIFICANT EVENTS

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.

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 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.

CHARGES ON ASSETS

As at 31 December 2016, none of the Group's assets was charged or subject to any encumbrance.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no material contingent liabilities.

PRINCIPAL RISKS AND UNCERTAINTIES

Commodities price risk

The Group's revenue and profit for the year were affected by fluctuations in the commodities price as 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 fluctuation in exchange rates

The Group conducts all of its distribution and trading business in US dollars. Foreign currency exposure to US dollars is minimal, as the Hong Kong dollar is pegged to the US dollar.

As at 31 December 2016, the Group's major assets and liabilities were denominated in the functional currencies of the respective group entities. The Group had minimal material exposure to foreign exchange fluctuation.

Counterparty credit and performance risk

The Group continuously monitor the credit quality of our counterparties and seek to reduce the risk of customer non-performance by requiring credit support from creditworthy financial institutions including making extensive use of credit enhancement products, such as letter of credit.

Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its assets and liabilities and cash flows. Floating rate debt which is predominantly used to fund fast turning working capital is primarily based on US\$ LIBOR plus an appropriate premium. Accordingly, prevailing market interest rates are continuously factored into transactional pricing and terms.

LIQUIDITY AND FINANCIAL RESOURCES

Following January 2016 Subscription, the Group has a strong financial position with net current assets of approximately HK\$201,657,000 (2015: approximately HK\$80,638,000), and net assets of approximately HK\$202,232,000 (2015: approximately HK\$81,409,000) respectively at 31 December 2016. As at 31 December 2016, there was no bank and other borrowings outstanding (2015: nil).

As at 31 December 2016, the current ratio (as defined as current assets divided by current liabilities) was 1.44 (2015: 1.64) and the gearing ratio (as defined as loans from a shareholder divided by net assets) was nil (2015: nil).

CAPITAL EXPENDITURE

The total capital expenditure of the Group for the Year was approximately HK\$13,000 for addition of furniture, fixtures and other equipment (2015: approximately HK\$1,988,000).

As at 31 December 2016 and 2015, the Group has no material capital expenditure commitments.

HUMAN RESOURCES

As at 31 December 2016, the Group had 11 employees in Hong Kong and 2 employees in Singapore. Other than the competitive remuneration package offered to the employees, share options may also be granted to the selected employees based on the Group's performance.

USE OF PROCEEDS

The Company has conducted the following equity fund raising activity during the Year and subsequently after 31 December 2016:

| Date of announcement | Fund raising activity | Net proceeds raised | Proposed use of the net proceeds | Actual use of the net proceeds |
|-----------------------------|----------------------------------------------------|-------------------------------|------------------------------------------------------------------------------------|---------------------------------------|
| 15 and 27 January 2016 | Subscription of new shares under a general mandate | approximately HK\$122 million | Intended to be used for settlement of the payment for iron ore shipment contracts. | Proceeds utilised as intended. |

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

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2016 (2015: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance, holding the beliefs of transparency, independence, honesty and accountability, with a view to enhance investors' confidence. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. Save and except for code provisions A.6.7, E.1.2, E.1.3 and A.2.1 (details of which are set out 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 year ended 31 December 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.

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 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. 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 throughout the year ended 31 December 2016.

AUDIT COMMITTEE

As at 31 December 2016, the audit committee of the Company comprises of three independent non-executive directors of the Company, namely Mr. Chan Chi Ming, Tony (Chairman of the audit committee), Mr. Wu Shiming and Mr. Chan Wah. The Audit Committee has adopted terms of reference which are in line with the CG Code. The audit committee has reviewed the Group’s annual results for the year ended 31 December 2016.

SCOPE OF WORK OF EXTERNAL AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.990.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk).

The 2016 annual report of the Company will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
Theme International Holdings Limited
Ng Chi Lung
Executive Director

Hong Kong, 22 March 2017

As at the date of this announcement, there are (i) three Executive Directors, namely Mr. Ng Chi Lung (Vice Chairman), Mr. Wu Lei and Mr. Wong Hok Bun Mario, (ii) one Non-executive Director, namely Ms. Chen Jing and (iii) three Independent Non-executive Directors, namely Mr. Chan Wah, Mr. Chan Chi Ming, Tony and Mr. Wu Shiming.