Theme International Holdings Limited

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

Annual Report 2017

Contents

Corporate Information

Directors

Executive Directors
Mr. Ng Chi Lung *(Vice Chairman)*
Mr. Wu Lei
Mr. Wong Hok Bun Mario
Ms. Chen Jing *(re-designated from non-executive director to executive director on 1 October 2017)*
Ms. Wu Aiping *(appointed on 1 October 2017)*
Mr. Cao Zhuoqun *(appointed on 1 October 2017)*

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

Authorised Representatives

Mr. Ng Chi Lung
Mr. Wong Hok Bun Mario

Company Secretary

Mr. Wong Hok Bun Mario *(FCPA, CFA & MAusIMM)*

Corporate Information

Auditor

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

Legal Advisers on Bermuda Law

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

Legal Advisers on Hong Kong Law

Li & Partners
22/F, World Wide House
Central, Hong Kong

Robertsons
57th Floor, The Center,
99 Queen's Road Central,
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office & Principal Place of Business in Hong Kong

Unit 3401-03, 34/F., China Merchants 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
Industrial Bank Co. Ltd.
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited
ING Bank N.V.
ABN AMRO BANK N.V.
Industrial and Commercial Bank of China Limited

Principal Share Registrar in Bermuda

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Branch Share Registrar & Transfer Agent in Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Stock Code

990

Website

www.990.com.hk

Vice Chairman's Statement

On behalf of the Board (the "**Board**") of Directors (the "**Director(s)**") of Theme International Holdings Limited (the "**Company**") and its subsidiaries (collectively as the "**Group**"), I am delighted to announce that, for the year ended 31 December 2017 (the "**Year**"), the Group's profit attributable to equity owners of the Company was approximately Hong Kong dollars ("**HK$**") 21,349,000, as compared to a loss of approximately HK$25,937,000 for the year ended 31 December 2016 (the "**Corresponding Year**").

The successful turnaround of the Group's performance was mainly due to the improvement in financial performance of the distribution and trading business, in particular the trading of iron ore during the Year. The distribution and trading business has recorded a segment profit before interest and tax of approximately HK$58,560,000 in the Year, representing an increase of approximately 868.3% compared to approximately HK$6,048,000 in the Corresponding Year. The improvement was mainly due to the increase in volume of iron ore traded during the Year, where revenue from distribution and trading segment increased by approximately 241.9% from approximately HK$1,576 million in the Corresponding Year to approximately HK$5,389 million in the Year.

In April 2017, the Group's management noted there was a sharp drop in monthly average iron ore price from United States dollars ("**US$**") 88.72 per tonne in February 2017 to US$70.67 per tonne in April 2017, representing approximately a 20% decrease in two months. The Group was of the view that the iron ore price has dropped to a level attractive enough to spark interests from potential customers in the People's Republic of China (the "**PRC**") for restocking and demand for iron ore import will likely increase. In order to increase trading volume to benefit from the potential rebound in iron ore price, the Company proposed to issue 2,631,409,918 rights shares at HK$0.15 per share on the basis of 1 rights share for every 2 existing shares held by shareholders of the Company in May 2017. The rights issue was completed in June 2017 and approximately HK$394,014,000 of proceeds (net of share issue cost) was raised.

The availability of the rights issue proceeds mentioned above, and together with the utilization of additional bank facilities line made available to the Group, the Group was able to enter into more iron ore contracts and therefore, revenue from distribution and trading segment has increased significantly.

The Group has broaden its supplier base in the second half of the Year and was able to purchase iron ore more competitively in the market. Since June 2017, iron ore price has gradually rebounded from US$57.20 per tonne in June 2017 to US$70.37 per tonne in September 2017 and benefiting from the increasing trend of iron ore price, the Group was able to record a higher gross profit margin in the second half of the Year. The overall gross profit for the year has improved from approximately 0.81% in 2016 to approximately 1.26% in 2017, leading to the significant increase in profit attributable to equity owners of the Company.

Vice Chairman's Statement

In December 2017, the Group has setup a new trading desk in Shanghai, the PRC. The new desk will serve new customers in the PRC and the Group hopes the new desk can bring in more business to the Group in 2018.

Financial services segment of the Group has recorded a segment losses of approximately HK$17,447,000 in the Year, mainly attributable to the impairment loss on a loan to customer and interest receivables of approximately HK$6,199,000 and the expenses incurred in the establishment of securities and derivatives financial services business.

The Group continuously explores new business opportunities that can deliver synergistic advantages to its physical commodities trading operations. In the fourth quarter of 2017, the Group successfully operationalised its commodity derivatives related financial services including but not limited to trading and clearing of derivatives contracts in global markets, inter-dealer broking services for over-the-counter commodities and structured trade finance operations. The new business will bring in extra revenue stream to the Group and will improve the performance of the financial services segment in 2018.

The PRC is the largest iron ore importer in the world, importing 1,024 million tonnes in 2016, and constituting 70% of the world's seaborne trade. With the domestic iron ore reserves being low in grade and high in impurity, to fulfil PRC's huge demand on medium to high grade iron ore, it has to rely heavily on imports from overseas. The Group targets to grow its iron ore trading business in line with the increasing volume of iron ore import into the PRC and at the same time, exploring other opportunities to expand its financial services platform by bringing in new financial products to our customers.

As both distribution and trading and financial services are people-oriented business, the Group continued to invest heavily in human capital. The Group's headcount has increased from 13 at 31 December 2016 to 34 at 31 December 2017 with employees locating across Hong Kong, Singapore and the PRC. The Group believes best people can bring value to the Group and will continue to invest in human capital in future.

At last, 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.

Ng Chi Lung
Vice Chairman and Executive Director

Hong Kong, 16 March 2018

Management Discussion and Analysis

Theme International Holdings Limited and its subsidiaries are principally engaged in (i) trading of bulk commodities and related products in Hong Kong, Singapore and the PRC; and (ii) provision of loan financing services, securities and derivatives financial services and margin financing 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 ceased by the end of March 2016.

Financial and Business Review

Revenue, profit/(loss) for the year and basic earnings/(loss) per share of the Group for the year ended 31 December 2017 and 2016 are summarized as follows:

	Revenue		**Profit/(loss) for the year**		**Basic earnings/(loss) per share**	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000		(restated)
From operations	**5,389,307**	1,581,947	**21,349**	(25,937)	**HK0.31 cents**	HK(0.44) cents

The Group recorded a total revenue of approximately HK$5,389,307,000 (2016: approximately HK$1,581,947,000) for the Year, representing an increase of approximately 240.7% over the Corresponding Year. Further analysis of the Group's revenue in the Year and the Corresponding Year is as follows:

	2017		2016	
	Revenue	**Sales Volume**	Revenue	Sales Volume
	HK$'000	**Tonnes ('000)**	HK$'000	Tonnes ('000)
Product				
Iron Ore	**4,933,586**	**12,403**	1,576,354	3,903
Deformed Steel Bar	**455,329**	**127**	–	–
Distribution and trading	**5,388,915**		1,576,354	
Financial services	**392**		4,850	
Retailing of garments	**–**		743	
	5,389,307		1,581,947	

Management Discussion and Analysis

The distribution and trading business contributed to over 99% of the Group's revenue in the Year. Volume of iron ore traded in the year increased from approximately 3,903,000 tonnes in the Corresponding Year to approximately 12,403,000 tonnes in the Year, representing an increase of approximately 217.8%, together with the increase in average iron ore price, revenue from iron ore trade increased from approximately HK$1,576,354,000 in the Corresponding Year to approximately HK$4,933,586,000 in the Year, representing an increase of approximately 213.0%.

In June 2017, the Group successfully completed a rights issue and a total of 2,631,409,918 rights shares at HK$0.15 per share were issued with proceeds of approximately HK$394,014,000, net of share issue costs. With the availability of additional capital raised from the rights issue and the utilization of banking facilities available to the Group, the Group was able to increase its trading volume during the Year.

At the same time, the Group commenced the trading of prime deformed steel bar in the Year where the Group recorded a revenue of approximately HK$455,329,000 (2016: Nil) and a trading volume of approximately 127,000 tonnes (2016: Nil) in the Year.

Gross profit margin of the Group increased to approximately 1.26% in the Year from approximately 0.81% in the Corresponding Year. Gross profit in the Year was mainly contributed by the distribution and trading segment. Iron ore price has increased gradually in the second half of the Year from US$57.20 per tonne in June 2017 to US$75.86 per tonne in December 2017 where the Group was able to benefit from selling at a higher price and hence a higher margin. The Group was also able to source iron ore from several new suppliers in the second half of the Year which are able to provide the Group with iron ore at a lower price. Gross profit margin in the second half of the Year are approximately 1.82% as compared to the gross profit margin of approximately 0.75% recorded in the first half of the Year when iron ore price was in a decreasing trend.

An one-off, non-cash, equity-settled share-based expense of approximately HK$24,047,000 was recorded in the Corresponding Year due to the grant of 201,000,000 share options to certain directors, employees and business associates of the Group on 6 April 2016. Details of the equity-settled share-based expense is included in note 25 to the consolidated financial statements. There was no share options granted by the Company during the Year.

Excluding the one-off, non-cash, equity-settled share-based expense of approximately HK$24,047,000, the underlying administrative expenses for the Corresponding Year were approximately HK$11,459,000. The underlying administrative expenses have increased by approximately 124.2% from approximately HK$11,459,000 in the Corresponding Year to approximately HK$25,691,000 in the Year. The increase was mainly due to the expansion of the Group's trading operations to Singapore, increase in rental expenses and the expenses incurred in the establishment of regulated and licensed activities including derivatives broking and clearing, securities market access and margin financing services.

Finance costs of approximately HK$8,319,000 (2016: approximately HK$1,643,000) was incurred during the Year for factoring the Group's trade receivables and for settlement of interests arising from outstanding trust receipt loans. Management considered that reasonably increasing the Group's leverage will enable the Group to further expand its distribution and trading business and maximize return on shareholders' capital.

Management Discussion and Analysis

Income tax expense increased from approximately HK$381,000 in the Corresponding Year to approximately HK$5,655,000 in the Year, in line with the improved performance of the Group's distribution and trading business.

Bright Point Trading Pte. Ltd., a company incorporated in Singapore and a wholly-owned subsidiary of the Company, was awarded the Global Trader Programme ("**GTP**") incentive by the Inland Revenue Authority of Singapore. With effect from 1 January 2017, certain qualified income generated during the Year from the distribution and trading business of the Group has been charged at a tax concessionary rate of 10%. Any other income not qualified for the GTP incentive has been charged at the rate of 17% during the Year. The effective tax rate of Bright Point Trading Pte. Ltd. in the Year was approximately 10.4%, which was lower than the standard Singapore Corporate Income Tax rate of 17%.

The underlying profit/(loss) for the year is calculated as follows:

	2017 **HK$'000**	2016 HK$'000
Profit/(loss) for the year	**21,349**	(25,937)
Add back: Equity-settled share-based expense	**–**	24,047
Underlying profit/(loss) for the year	**21,349**	(1,890)

Excluding the one-off, non-cash, equity-settled share-based expense of approximately HK$24,047,000, the Group recorded an adjusted loss for the year of approximately HK$1,890,000 in the Corresponding Year. The Group has successfully turned around in the Year and returned to profit for the first time since the commencement of the Group's distribution and trading and financial services businesses in 2015. Benefiting from the increased scale of operations, the distribution and trading segment recorded a segment profit of approximately HK$58,560,000 (before deducting finance cost and profit tax) in the Year (2016: approximately HK$6,048,000). However, this was partially offset by the segment loss of approximately HK$17,447,000 recorded by the financial services segment in the Year where expenses incurred in the establishment of securities and derivatives financial services business.

The Group recorded a basic earnings per share of approximately HK0.31 cents in the Year as compared to a basic loss per share of approximately HK0.44 cents (restated) in the Corresponding Year.

Management Discussion and Analysis

Future Prospects

The Group will focus on the continuing development of the financial services business and the distribution and trading business in 2018.

(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 and derivatives financial services (including access to global market), provision of futures and derivatives products, provision of market making services for global exchanges, provision of margin financing and money lending business in Hong Kong and Singapore.

– Money Lending

The Group carried out 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 a money lenders licence in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

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

– Securities, Futures Contracts and Derivatives Dealing

As announced in the Company's announcement on 24 July 2017, the Securities and Futures Commission of Hong Kong has granted to the Group licences to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The derivatives arm of the Group has commenced its operations to establish a financial services platform in derivatives facilitating international trade in commodities with combined access to both physical and derivatives market. Besides the Type 2 licence, the Group has exemption from Monetary Authority of Singapore licensing in Singapore to offer inter-dealer broking services in Singapore and global markets.

Over the last decade, the financial services space has changed structurally creating opportunities for both existing participants and new entrants. Capitalising on the opportunities and filling the void created as a result of receding participation from traditional financial market participants, the Group aims to deliver a range of products and services to better serve commodity market participants.

Combining the strengths stemming from powerful suite of products and services and experienced and proven management team, the Group is positioned to deliver strong financial results and return to its stakeholders.

The Group's product and service portfolio is deliberately designed to be broad and diversified. This benefits the Group in two key ways – (i) to offer an end to end coverage to its global clientele and (ii) to weather proof the business and manage varying seasonal cycles which strengthens its revenue streams and therefore the firm's financials over the long run.

Its business lines comprise of (1) global clearing services, (2) inter-dealer broking in over-the-counter markets, (3) structured trade finance and (4) China access products. The Group's aspiration is to extend its four pillars of business across all key asset classes comprising of commodities, foreign exchange and interest rates as part of its product roadmap.

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 returns to the Company and its shareholders.

(ii) Distribution and Trading

The PRC government's effort in closing low grade iron ore mines to curb air pollution has led to the increasing demand for higher quality imports from overseas. Moreover, the property sector in the PRC is growing and the demand for constructions materials has increased continuously in the PRC.

According to the PRC Custom statistics, imports of iron ore from overseas have increased by approximately 5% from approximately 1.024 billion tonnes in 2016 to approximately 1.075 billion tonnes in 2017. The Group believes that the increasing demand for better quality iron ores will continue to grow in 2018 and there is a huge potential for iron ore trading in the PRC, which provides a good opportunity for the Group to further expand in this aspect.

Management Discussion and Analysis

In June 2017, the Group launched a rights issue to raise over HK$390 million. The rights issue was significantly oversubscribed by approximately 7.7 times, when including excess applications, demonstrating investors' confidence in being part of the Company's continuing success in turning around. The proceeds raised were used to strengthen our balance sheet and fund the development of the Group's distribution and trading business. 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 and financing, the Company will continue to review its funding needs. The Company may raise further fund if opportunities arise and it considers appropriate.

Fund Raising Activities

2017 Rights Issue ("2017 Rights Issue")

On 4 May 2017, the Company announced a rights issue of 2,631,409,918 rights shares at HK$0.15 per rights share on the basis of 1 rights share for every 2 existing shares held by Shareholders. The results of the 2017 Rights Issue was confirmed on 20 June 2017 and 2,631,409,918 rights shares were allotted and issued on 21 June 2017. The rights shares are ranked pari passu in all respects with the then existing shares. The gross proceeds from the 2017 Rights Issue was approximately HK$394,711,000, before deducting share issue costs of approximately HK$697,000.

The entire net proceeds from 2017 Rights Issue has been applied to further develop the distribution and trading business of the Group. Details of the 2017 Rights Issue are set out in the announcements of the Company dated 4 May 2017, 18 May 2017 and 20 June 2017, the prospectus of the Company dated 29 May 2017 and in the "Use of Proceeds" section below.

Significant Events

On 28 December 2017, the Group has entered into a shareholders agreement with four strategic shareholders to form a new subsidiary, BPI Financial Group Limited. The principal activity of BPI Financial Group Limited and its subsidiaries is the provision of financial services in derivatives, including but not limited to access to global derivatives markets, trading and clearing of global derivatives and inter-dealer brokerage services. According to the shareholders agreement, the initial share capital of BPI Financial Group Limited is HK$100 million, in which the Group contributes HK$75 million will hold a 75% interest in BPI Financial Group Limited. The share capital injection was completed on 8 January 2018.

The Group is transferring its entire shareholding in Bright Point International Futures Limited to BPI Financial Group Limited and the Group's interest in Bright Point International Futures Limited will decrease from 100% to 75% upon the completion of transfer. The transfer of Bright Point International Futures Limited is subject to the approval of the Securities and Futures Commission of Hong Kong and is not completed as at the date of the Annual Report.

Charges On Assets

As at 31 December 2017, none of the Group's assets was charged or subject to encumbrance.

Management Discussion and Analysis

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

Material Acquisitions and Disposals

During the year ended 31 December 2017, there is no material acquisition or disposal of subsidiaries, associates and joint ventures.

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 its distribution and trading business in United States Dollars ("**US$**"), Singapore Dollars ("**SGD**") and Renminbi ("**RMB**"). Foreign currency exposure to US$ is minimal, as the Hong Kong Dollars ("**HK$**") is pegged to the US$ while the volume of transactions denominated in SGD and RMB are minimal as compared to transactions carried out in US$ in the Year. As at 31 December 2017, 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 monitors the credit quality of our counterparties and seeks 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.

Legal, regulatory and compliance risk

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation the Group may suffer as a result of our failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable. In today's environment of rapid and possibly transformational regulatory change, the Group also view regulatory change as a component of legal, regulatory and compliance risk.

The financial services industry is subject to extensive regulation, which is undergoing major changes that will impact our business.

The Group oversees potential compliance risks, such as insider dealing, money laundering, on a regular basis. With the support of external professional advisers where appropriate, the Group monitors whether and the extent to which additional regulatory requirements apply as a result of the growth or expansion of our operations in financial services business.

Like other major financial services firms, the Group is subject to extensive regulations, which significantly affect the way the Group do business and can restrict the scope of our existing businesses and limit our ability to expand our product offerings and pursue certain investments. The Group is and will continue to be subject to a more complex regulatory framework, and will incur costs to comply with new requirements as well as to monitor for compliance in the future.

Liquidity and Financial Resources

In June 2017, the Group successfully completed the 2017 Rights Issue of 2,631,409,918 rights shares at HK$0.15 per share with proceeds of approximately HK$394,014,000, net of share issue costs. Following the 2017 Rights Issue, the Group's net current assets has been improved to approximately HK$613,773,000 (2016: approximately HK$201,657,000), and net assets to approximately HK$617,432,000 (2016: approximately HK$202,232,000) respectively at 31 December 2017. As at 31 December 2017, there was a total loans and other borrowings of approximately HK$37,796,000 outstanding (2016: Nil).

As at 31 December 2017, the current ratio (as defined as current assets divided by current liabilities) was approximately 2.78 (2016: approximately 1.44) and the gearing ratio (as defined as loans and other borrowings divided by net assets) was approximately 0.06 (2016: Nil).

As at 31 December 2017, the Group had an undrawn banking letter of credit limit totalling approximately US$362,250,000, equivalent to approximately HK$2,825,552,000 (2016: US$100,000,000, equivalent to approximately HK$780,000,000).

Management Discussion and Analysis

Capital Expenditure

The total capital expenditure of the Group for the Year was approximately HK$2,183,000 (2016: Nil) for addition of leasehold improvements and approximately HK$1,803,000 (2016: approximately HK$13,000) for addition of furniture, fixtures and other equipment.

As at 31 December 2017, the Group had no material capital expenditure commitments.

Future Plan for Material Investments or Capital Assets

Except as disclosed in this Annual Report, as at 31 December 2017, the Group does not have any other plan for material investments or capital assets.

Human Resources

As at 31 December 2017, the Group had 11 employees in Hong Kong, 16 employees in Singapore and 7 employees in the PRC. The remuneration committee of the Company and the Directors reviewed remuneration policies regularly. The structure of the remuneration packages would take into account the level and composition of pay and the general market conditions in the respective countries and businesses. Other than the competitive remuneration package offered to the employees, share options may also be granted to selected employees based on the Group's performance.

Use of Proceeds

The Company has conducted the following equity fund raising activities during the Year and subsequently after 31 December 2017:

Date of announcement and prospectus	**Fund raising activity**	**Net proceeds raised** (approximately)	**Proposed use of the net proceeds**	**Actual use of the net proceeds**
4, 18 and 29 May 2017, 20 June 2017	Subscription of new shares under rights issue	HK$394,014,000	Intended to be used for settlement of the payment for additional iron ore shipment contracts entered in May and June 2017	Utilized as intended

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

Directors' Report

The Board submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2017.

Principal Activities and Business Review

Theme International Holdings Limited and its subsidiaries are principally engaged in (i) trading of bulk commodities and related products in Hong Kong, Singapore and the PRC; and (ii) provision of loan financing services, securities and derivatives financial services and margin financing 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 ceased by the end of March 2016.

Particulars of the activities of the Company's principal subsidiaries during the year are set out in note 31 to the consolidated financial statements. Further discussion and analysis of these activities is required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 7 to 15 of this Annual Report. This discussion forms part of this Directors' Report.

Financial Results

The results of the Group for the year ended 31 December 2017 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 51 to 101.

Segment Information

An analysis to the Group's turnover and contribution to results by principal activities for the year ended 31 December 2017 is set out in note 6 to the consolidated financial statements.

Dividends

The Board does not recommend the payment of a dividend for the year ended 31 December 2017 (2016: Nil).

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 24 to the consolidated financial statements.

Equity Linked Agreements

Other than the share-based compensation as disclosed in note 25 to the consolidated financial statements, no equity linked agreements were entered into by the Company during the year ended 31 December 2017 or subsisted at the end of the year.

Directors' Report

Reserves

Details of the movements in reserves of the Company and the Group during the year are set out in note 26 to the consolidated financial statements and in the consolidated statement of changes in equity on page 53 of this Annual Report respectively.

Distributable Reserves

The Company has no reserves, comprise share premium and accumulated losses, available for distribution to shareholders as at 31 December 2017 (2016: no reserves available for distribution).

Pursuant to the Bermuda Companies Act 1981 (as amended), the Company's share premium account of approximately HK$690,231,000 (2016: approximately HK$302,796,000) can be distributed in the form of fully paid shares.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Five Years Financial Summary

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 102. This summary does not form part of the audited financial statements.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities in the year ended 31 December 2017.

Directors

The directors of the Company during the year and up to the date of this Annual Report were:

Directors' Report

Executive Directors:

Mr. Ng Chi Lung *(Vice Chairman)*
Mr. Wu Lei
Mr. Wong Hok Bun Mario
Ms. Chen Jing *(re-designated from non-executive director to executive director on 1 October 2017)*
Ms. Wu Aiping *(appointed on 1 October 2017)*
Mr. Cao Zhuoqun *(appointed on 1 October 2017)*

Independent Non-Executive Directors:

Mr. Chan Chi Ming, Tony
Mr. Wu Shiming
Mr. Chan Wah

In accordance with clause 87 of the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest but not less than one-third, shall retire from office by rotation. Accordingly, Mr. Chan Wah, Mr. Wong Hok Bun Mario and Mr. Ng Chi Lung will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with clause 86(2) of the Company's Bye-laws, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorization by the shareholders of the Company in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the shareholders of the Company in general meeting. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting. Therefore, each of Ms. Wu Aiping and Mr. Cao Zhuoqun will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Independence Confirmation

The Company has received from each of independent non-executive directors an annual confirmation of independence pursuant to the Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and considers all the independent non-executive directors to be independent.

Directors' Emoluments

Particulars as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 11 to the consolidated financial statements.

Directors' Report

Biographical Details of Directors

Biographical details of the directors of the Company are set out on pages 25 to 27 of this Annual Report.

Directors' Service Contracts

Mr. Ng Chi Lung, Mr. Wong Hok Bun Mario, Mr. Wu Lei, Ms. Chen Jing, Ms. Wu Aiping and Mr. Cao Zhuoqun have entered into service agreements with the Group. The service agreements shall be valid unless terminated by either party by giving a one month's written notice.

Mr. Chan Chi Ming, Tony, Mr. Wu Shiming and Mr. Chan Wah are independent non-executive directors and were appointed for a one-year term expiring on 21 May 2018, 21 May 2018 and 3 November 2018 respectively.

Save as disclosed above, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

Except for those disclosed in the section headed "Connected Transactions" below, no contract, transaction or arrangement of significance, to which the Company, its subsidiaries, its controlling shareholder or holding company or any of its subsidiaries was a party and in which a director of the Company or entity connected with a director is or was materially interested, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Share Option Scheme

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

In the year ended 31 December 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 25 of the consolidated financial statements. No option was granted in the year ended 31 December 2017.

Directors' Report

In the year ended 31 December 2017, apart from the section headed "Share Option Scheme" above, 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.

Director's Rights To Acquire Securities

Save as disclosed in the section headed "Share Option Scheme", at no time during the year was the Company or the Company's subsidiaries or holding company or a subsidiary of the Company's holding company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors or chief executives of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities (or warrants or debentures, if applicable) of the Company or had exercised any such rights.

Update on Directors' Information Pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in monthly salaries for the following directors of the Company under their respective service contracts are set out below:

Name of director	Previous monthly salary	Monthly salary	Effective date
Mr. Ng Chi Lung	HK$110,000	HK$60,000	1 September 2017
Ms. Chen Jing	HK$20,000	HK$110,000	1 October 2017

Note: For information in relation to the 2017 full year emoluments of the directors of the Company, please refer to note 11 to the consolidated financial statements.

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company are set out below:

Name of Directors	Information of changes
Mr. Wu Shiming	resigned as an executive director of Leyou Technologies Holdings Limited (stock code: 1089) on 5 September 2017
Mr. Chan Chi Ming, Tony	resigned as the company secretary and authorised representative of Good Resources Holdings Limited (stock code: 109) on 31 May 2017
Mr. Wong Hok Bun Mario	appointed as an independent non-executive director of Good Resources Holdings Limited (stock code: 109) on 31 May 2017
Ms. Chen Jing	re-designated from a non-executive director to an executive director of the Company on 1 October 2017
Mr. Ng Chi Lung	appointed as a member of the thirteenth session of the committee of Beijing Municipality for the Chinese People's Political Consultative Conference

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

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

As at 31 December 2017, none of the directors and the chief executives of the Company or any of their spouses or children under eighteen years of age has any interest or short position 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 (Chapter 571 of the Laws of Hong Kong) ("**SFO**") which are required: (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

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

As at 31 December 2017, 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 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.

Long position in shares of the Company

Name of substantial shareholder	Capacity and Nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital (note 2)
Mr. You Zhenhua	Beneficial Owner	1,560,000	0.02%
	Interest of a controlled corporation	4,408,621,650 (note 1)	55.85%

Notes:

1. These shares are held by Wide Bridge Limited. Mr. You Zhenhua holds the entire share capital of Bright Power Ventures Limited which in turn holds 65% interest of Wide Bridge Limited. Mr. You Zhenhua is deemed to be interested in the shares held by Wide Bridge Limited under the SFO.

2. Based on the number of 7,894,229,754 shares of the Company in issue as at 31 December 2017.

Save as disclosed above, the Company has not been notified of any persons other than substantial shareholders who had interests or short positions in the shares and 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 recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 December 2017.

Retirement Benefits Schemes

The Group participates in mandatory provident fund scheme and Central Provident Funds scheme for employees in Hong Kong and Singapore respectively. In 2017, the Group had no forfeited contributions available to the pension schemes in future years.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	31.4%	
Five largest customers in aggregate	82.2%	
The largest supplier		50.0%
Five largest suppliers in aggregate		96.1%

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

Connected Transactions

For the year ended 31 December 2017, certain trust receipt loans guaranteed by the beneficial owner of the Group as set out in note 22 to the consolidated financial statements to this Annual Report constituted connected transactions for the Company under Chapter 14A of the Listing Rules but are fully exempted under Rule 14A.90 of the Listing Rules as they are conducted on normal commercial terms or better and they are not secured by the assets of the Group.

Compliance with relevant laws and regulations

During the Year, there were no areas of material non-compliance with applicable laws and regulations that have a significant impact on the Company known to the Directors.

Directors' Report

Key relationships with employees, customers and suppliers and others

The Group recognises that employees are a valuable asset of the organisation and it is essential to attract and motivate good talent while balancing the interests of other stakeholders. Apart from a safe and healthy workplace, we offer a comprehensive remuneration and benefits package to our employees, training opportunities, equal opportunities and fairness at work for all as well as channels for staff communication. Staff social functions are arranged to enhance employees' sense of belonging and to help create a friendly and harmonious working environment. Salaries are reviewed and adjusted on a yearly basis, and from time to time, to ensure balancing pay for performance with shareholder alignment. The Group also recognises the importance of maintaining good relationship with its shareholders, customers and business partners in order to achieve long-term goals. Accordingly, the senior management maintains good communication and promptly exchanges ideas and shares the Group's business updates with these people.

During the Year, there were no material and significant disputes between the Company or any of its subsidiaries and their respective employees, customers and suppliers, shareholders or business partners known to the Directors.

Environmental Policies and Performance

The Group recognises the importance of environmental sustainability against modern ecological challenges. As a responsible corporate citizen, the Group has been actively taking steps to minimise the negative environmental impacts, reduce wastage and maximise energy efficiency which in turn provides a green and eco-friendly environment to the community. Green office practices such as double-sided printing and copying, promoting using recycled papers and reducing energy consumption by switching off idle lighting are encouraged in the operation of the Group's businesses. The Group will review its environmental practices from time to time and will consider implementing further practicable measures and practices to enhance environmental sustainability.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the best knowledge of the Directors as at the date of this Annual Report, the Company has maintained sufficient public float as required under the Listing Rules.

Corporate Governance

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 28 to 39 of this Annual Report.

Directors' Report

Indemnity of Directors

A permitted indemnity provision (as defined in Section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the Year.

Annual General Meeting

It is proposed that the annual general meeting of the Company to be held on 26 June 2018. Notice of the annual general meeting will be published and dispatched to the shareholders together with this Annual Report.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption the shareholders are entitled by reason of their holding of the Company's securities.

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2017 were audited by ZHONGHUI ANDA CPA Limited ("**ZHONGHUI ANDA**") which would retire at the conclusion of the forthcoming annual general meeting ("**AGM**") and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders to re-appoint ZHONGHUI ANDA as auditors of the Company and to authorise the Board to fix their remuneration at the AGM.

The Company has appointed ZHONGHUI ANDA as auditors of the Company on 26 November 2015 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu.

Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

ON BEHALF OF THE BOARD

Ng Chi Lung
Vice Chairman

Hong Kong, 16 March 2018

Biographical Details of Directors

Executive Directors

Mr. Ng Chi Lung, aged 29, was appointed as executive director and vice chairman of the Company on 1 April 2016. Mr. Ng Chi Lung has 8 years of experiences in founding new business and commercial management. Mr. Ng Chi Lung studied at Macquarie University (Major in Accounting) in Australia after obtained his diploma from the Sydney Institute of Business and Technology in year of 2009. Since February 2012, Mr. Ng Chi Lung founded and managed businesses including the scope of manufacturing and services sector. He was also an executive director of China Gem Holdings Limited (previously known as Yueshou Environmental Holdings Limited, stock code: 1191), the shares of which are listed on the Main Board of the Stock Exchange, from 10 October 2014 to 31 March 2016. Mr. Ng Chi Lung holds directorship in certain subsidiaries of the Group, including Asia Develop Limited and King Topwell International Limited.

Mr. Ng Chi Lung is also a member of the thirteenth session of the committee of Beijing Municipality for the Chinese People's Political Consultative Conference.

Mr. Wong Hok Bun Mario, aged 38, was appointed as company secretary of the Company on 14 July 2015 and as an executive director and Chief Financial Officer of the Company on 31 December 2015. Mr. Wong Hok Bun Mario holds a Bachelor of Economics and Finance from The University of Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants (FCPA). Mr. Wong Hok Bun Mario is a CFA charterholder and a member of The Australasian Institute of Mining and Metallurgy (MAusIMM). He has over 15 years of experience in auditing, accounting, financial management and corporate finance. Mr. Wong Hok Bun Mario is the independent non-executive director of Good Resources Holdings Limited (stock code: 109), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Wu Lei, aged 30, was appointed as executive director of the Company on 1 October 2016. Mr. Wu Lei holds a Bachelor of Business Administration (Accountancy) with Honours from The National University of Singapore and has more than 6 years of experiences in accountancy and commodities trading and hedging. Mr. Wu Lei used to work in one of the big four international accounting firms. Before joining the Company, Mr. Wu Lei was a trader of an international commodity house, where he gained ample experience in commodity trading, futures trading, international hedging and financial management. Mr. Wu Lei holds directorship in certain subsidiaries of the Group, including Asia Develop Limited, King Topwell International Limited, Swift Win Holdings Limited, Bright Point International Securities Limited, Bright Point International Futures Limited, BPI Financial Group Limited, Bright Point Trading Pte. Ltd. and Jingdian (Shanghai) Trading Co., Ltd..

Ms. Chen Jing, aged 38, was appointed as a non-executive director of the Company on 1 October 2016 and was re-designated as an executive director of the Company since 1 October 2017. Ms. Chen Jing obtained her Bachelor degree in English Language and Literature from Xiamen University in the PRC and Master degree in Law from Shandong University in the PRC and she holds a PRC Legal Professional Qualification Certificate. Ms. Chen Jing has over 10 years of experience in the trading of metallurgical bulk commodities, seaborne logistics operations and risk management. She was the deputy general manager of a bulk commodities e-commerce platform company. She is a director of Bright Point Trading Pte. Ltd. and a supervisor of Jingdian (Shanghai) Trading Co., Ltd., both subsidiaries of the Company.

Biographical Details of Directors

Ms. Wu Aiping, aged 42, was appointed as executive director of the Company on 1 October 2017. Ms. Wu Aiping obtained her Bachelor Degree in Arts (Major in English) from the University of International Business and Economics in the PRC. Ms. Wu Aiping has over 10 years of experiences in the trading of physical iron ore and seaborne logistics operations. She was previously a general manager of a multinational resources trading firm from 2009 to 2016.

Mr. Cao Zhuoqun, aged 29, joined the Group on 1 September 2017 as assistant vice president – business development of a subsidiary of the Company and was appointed as executive director of the Company on 1 October 2017. Mr. Cao Zhuoqun holds a Degree of Master of Philosophy in Management from the University of Cambridge in the United Kingdom and a Degree of Bachelor of Engineering in Chemical and Biomolecular Engineering with First Class Honours from Nanyang Technological University in Singapore. He has more than 4 years of experiences in commodities trading and derivatives trading. Mr. Cao Zhuoqun was a trader of an international commodity house, where he gained ample experience in commodity and derivatives trading.

Independent Non-executive Directors

Mr. Chan Chi Ming, Tony, aged 50, was appointed as independent non-executive director of the Company on 22 May 2015 and is currently the Chairman of the audit committee, remuneration committee and nomination committee of the Company. Mr. Chan Chi Ming, Tony graduated from Australian National University, with a Bachelor Degree in Commerce (Major in Accounting). Mr. Chan Chi Ming, Tony is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia and has about 20 years' experience in the field of business advisory, accounting and auditing. Mr. Chan Chi Ming, Tony was formerly a senior manager of an international accounting firm and is currently the executive director of Wan Kei Group Holdings Limited (stock code: 1718), whose shares are listed on the Main Board of the Stock Exchange. Mr. Chan Chi Ming, Tony is also a non-executive director of Hua Xia Healthcare Holdings Limited (stock code: 8143), whose shares are listed on GEM of the Stock Exchange. During the period from 7 September 2007 to 31 May 2017, Mr. Chan Chi Ming, Tony was also the company secretary and authorised representative of Good Resources Holdings Limited (stock code: 109), whose shares are listed on the Main Board of the Stock Exchange.

Mr. Wu Shiming, aged 42, was appointed as independent non-executive director of the Company on 22 May 2015 and is currently a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Wu Shiming is the independent non-executive director of China Putian Food Holding Limited (stock code: 1699) and China Gem Holdings Limited (previously known as Yueshou Environmental Holdings Limited, stock code: 1191). He was an executive director of Leyou Technologies Holdings Limited (stock code: 1089) from 17 October 2010 to 5 September 2017 and was an independent non-executive director of Pak Tak International Limited (stock code: 2668) from 24 September 2014 to 31 August 2016. All shares of which are listed on the Main Board of the Stock Exchange.

Biographical Details of Directors

Mr. Wu Shiming has over 20 years of experiences in accounting and financial management. He is a qualified intermediate accountant and he obtained such qualification after he has passed the national examination jointly organised by the Ministry of Finance and the Ministry of Personnel of the PRC. Mr. Wu Shiming graduated from a course in foreign economic enterprise financial accounting at Jimei University in the PRC in 1995.

Mr. Chan Wah, aged 56, was appointed as independent non-executive director of the Company on 4 November 2015 and is currently a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Chan Wah graduated from Fuqing Branch of Fujian Normal University in the PRC. Mr. Chan Wah has over 30 years' experience in the field of journalism, media and cultural sector and has published a number of articles in newspaper and magazines. Mr. Chan Wah is currently the assistant to Chairman of Good Fellow Group Limited. Mr. Chan Wah has participated in a number of community association, including Hong Kong Federation of Fujian Associations Limited* (香港福建社團聯會) (director), Hong Kong Community of Fuzhou Associations* (香港福州社團聯會) (deputy secretary general and deputy minister of publicity department), Hong Kong Changle Association (香港長樂聯誼會) (executive vice president and secretary general), Hong Kong Association of Literature Advancement* (香港文學促進協會) (deputy director) and Hong Kong Books Review Association* (香港書評家協會) (executive director), etc.

* *for identification purpose only*

Corporate Governance Report

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performance. The day-to-day management, administration and operation of the Company are delegated to the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approvals must be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board is responsible for performing the corporate governance functions set out in Code Provision D.3.1 of the Corporate Governance Code contained in Appendix 14 (the "**CG Code**") of the Listing Rules. At the Board's meeting held in March 2017, the Board has reviewed: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the CG Code disclosures requirements; and the Board was satisfied that the above-mentioned corporate governance functions were adhered to.

The Board has delegated various responsibilities to the Board committees including the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (collectively, the "**Board Committees**"). Further details of these committees are set out below.

(A) 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 E.1.2 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 CG Code throughout the year ended 31 December 2017.

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 the annual general meeting held on 26 May 2017 ("**2017 AGM**").

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.

(B) Directors' Securities Transactions

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 and each of them confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

(C) Board Composition and Board Practices

The composition of the Board is shown on page 2 of this Annual Report. The Board currently comprises nine directors, including six executive director and three independent non-executive directors. One of the three independent non-executive director has appropriate professional qualifications, or accounting or related financial management expertise. The primary responsibilities of the Board are to establish long term strategies, administrate and oversee the operations and financial policies and supervising management of the Group. The Board delegates day-to-day operations of the Company to the management of the Group and also instructs the management to implement the Board's decisions and resolutions. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. The Company has received, from each of the independent non-executive directors, confirmation of his independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

Corporate Governance Report

All Directors (including non-executive directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Bye-Laws and the CG Code. In accordance with the Company's Bye-Laws, newly appointed director(s) is/are required to retire and can offer themselves for re-election at the first general meeting following their appointment.

Details of backgrounds and qualifications of the Directors are set out in the section of "Biographical Details of Directors".

In 2017, the Board held 16 meetings to discuss the Group's overall strategy, operation and financial performance. In any event, all Directors were available for consultation by management from time to time during the year. The attendance of individual director to the Board meeting is set out on page 31 of this Annual Report. Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Company provides at least 14 days' notices of every regular Board meeting to all directors to give them an opportunity to attend. Board papers are circulated not less than 3 days before the Board meetings to enable the directors to make informed decisions on matters to be raised at the Board meetings.

During the Year, the company secretary of the Company ("**Company Secretary**") attended all the regular Board meetings to advise on corporate governance and statutory compliance when necessary. Directors had full access to information on the Group and were able to seek independent professional advice whenever deemed necessary by the Directors. The Company Secretary prepared minutes and kept records of matters discussed and decisions resolved at all Board meetings. All Directors have access to the advice and services of the Company Secretary with a view to ensure that Board procedures, and all applicable rules and regulations, are followed.

The Board, Audit Committee, Remuneration Committee and Nomination Committee had held 16, 2, 2 and 2 meetings respectively in 2017.

The attendance at the Board and respective Board Committees Meetings and Annual General Meeting held in 2017 are as follows:

Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors:					
Mr. Ng Chi Lung	16/16	N/A	N/A	N/A	1/1
Mr. Wong Hok Bun Mario	16/16	N/A	N/A	N/A	1/1
Mr. Wu Lei	16/16	N/A	N/A	N/A	1/1
Ms. Chen Jing	16/16	N/A	N/A	N/A	1/1
Ms. Wu Aiping#	8/8	N/A	N/A	N/A	N/A
Mr. Cao Zhuoqun#	8/8	N/A	N/A	N/A	N/A
Independent Non-Executive Directors:					
Mr. Chan Chi Ming, Tony	16/16	2/2	2/2	2/2	1/1
Mr. Wu Shiming	16/16	2/2	2/2	2/2	1/1
Mr. Chan Wah	16/16	2/2	2/2	2/2	1/1

appointed on 1 October 2017

(D) Continuous Professional Development

In order to ensure the Directors' contribution to the Board remains informed and relevant and to develop and refresh their knowledge and skills, the Company has regularly provided training information, encouraged and funded suitable trainings/seminars for the Directors to participate in continuous professional development. The Company also updates the Directors on the latest developments regarding the Listing Rules and applicable regulatory requirements from time to time to enhance their awareness of good corporate governance practices and to ensure compliance.

Corporate Governance Report

During the Year, all Directors who were in office as at 31 December 2017 have participated in continuous professional development by attending training courses and/or referring materials on the topics related to the Group's business, corporate governance and regulations:

Name of Director	Reading regulatory update	Attending expert briefings/seminars/ conferences relevant to the business or directors' duties
Executive Directors:		
Mr. Wong Hok Bun Mario	✓	✓
Mr. Ng Chi Lung	✓	✓
Mr. Wu Lei	✓	✓
Ms. Chen Jing	✓	✓
Ms. Wu Aiping *(appointed on 1 October 2017)*	✓	✓
Mr. Cao Zhuoqun *(appointed on 1 October 2017)*	✓	✓
Independent Non-executive Directors:		
Mr. Chan Chi Ming, Tony	✓	✓
Mr. Wu Shiming	✓	✓
Mr. Chan Wah	✓	✓

(E) Company Secretary

The Company Secretary is responsible for facilitating the exchange of information flows and communicating among Directors as well as between Shareholders and management of the Company. All Directors have access to the advice and assistance of the Company Secretary. The Company Secretary is also responsible for ensuring that Board procedures are followed. The Company Secretary's biography is set out in the "Biographical Details of Directors" section of this Annual Report. The Company Secretary is an employee of the Company and is appointed by the Board. During the Year, the Company Secretary has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

Corporate Governance Report

(F) Chairman and Chief Executive Officer

Under Code Provision A.2.1 of the CG Code, the role of chairman and chief executive should be separated and should not be performed by the same individual. The Board acknowledges that the principle of the Code Provision A.2.1 is to clearly separate the management of the Board from the daily management of the Company so as to ensure balance of power and authority. Since the resignation of CEO in 2013 and the resignation of the Chairman of the Company on 1 April 2016, the Company has no officer with the title of CEO nor Chairman and the roles are temporarily acted by Vice Chairman of the Company since 1 April 2016 and until a new candidate is appointed as CEO and Chairman of the Company respectively. Although this is a deviation from the Code Provision A.2.1, the Board considers that this arrangement is appropriate and in the best interests of the Company at the present stage for Mr. Ng Chi Lung to hold both positions as it helps to maintain the continuity of the Company's policies and the stability of the Company's operations. As the Board meets regularly to consider matters relating to business operations of the Company, the Board is of the view that such arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of the corporate planning and implementation of corporate strategies and decisions will not be affected.

(G) Non-executive Directors

Under Code Provision A.4.1 of the CG Code, non-executive director should be appointed for a specific term, subject to re-election. The Company has entered into service contracts with non-executive directors of the Company for a term of one year on the date of appointment and be renewed annually. Their directorships of which are all subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

(H) Remuneration Committee

The Company established a Remuneration Committee in 2005 with written terms of reference in accordance with the relevant requirements of the CG Code. The composition of the Remuneration Committee is shown on page 2 of this Annual Report. The Remuneration Committee currently comprises three independent non-executive directors, namely, Mr. Chan Chi Ming, Tony (Chairman of the Remuneration Committee), Mr. Wu Shiming and Mr. Chan Wah. The members' attendance to the Remuneration Committee meeting is listed out on page 31. The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive and non-executive directors, including benefits in kind, pension rights and compensation payments (such as compensation payable for loss or termination of their office or appointment), and to make recommendations to the Board on the remuneration package of the Directors and senior management. The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence. The Remuneration Committee should consider factors such as the salaries index, time commitment and responsibilities of the directors in determining emoluments payable to the directors.

The summary of work done by the remuneration committee during the Year includes determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts.

Details of the Directors' and senior management's emoluments for the Year are set out in note 11 to the consolidated financial statements.

(I) Nomination Committee

The Company established a Nomination Committee in 2013 with written terms of reference in compliance with the CG Code. The Nomination Committee currently comprises of three independent non-executive directors, namely Mr. Chan Chi Ming, Tony (Chairman of the Nomination Committee), Mr. Wu Shiming and Mr. Chan Wah.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board, make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identify individuals suitably qualified to become Board members, and assess the independence of independent non-executive directors and make recommendations to the Board on the selection of individuals nominated for directorships and succession planning for directors, in particular the chairman and the chief executive.

The summary of work done by the nomination committee during the Year includes determining the policy for the nomination of directors, the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship.

The Nomination Committee has adopted a board diversity policy (the "**Policy**") setting out the approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to race, gender, age, cultural and educational background, professional experience, skills and knowledge. Such measurable objectives have been achieved during the Year. The Nomination Committee will review the Policy, as appropriate, to ensure its continued effectiveness.

Corporate Governance Report

(J) Audit Committee

The Company has an Audit Committee which was established in accordance with the requirements of the CG Code for the purposes of reviewing and supervising the Group's financial reporting process, risk management and internal controls. The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The primary roles and functions of the Audit Committee are to review and monitor integrity of the financial reporting process, risk management and internal controls systems of the Group. The Audit Committee is also responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions would lead to any potential material adverse effect on the Company. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Chan Chi Ming, Tony (Chairman of the Audit Committee), Mr. Wu Shiming and Mr. Chan Wah. The members' attendance to the Audit Committee meeting is listed out on page 31. During the Year, the Audit Committee held two meetings to review the annual and interim results, to evaluate the Group's financial reporting process and to make recommendations to improve the Company's risk management and internal control systems, the effectiveness of the issuer's internal audit function, and its other duties under the CG Code. Draft minutes were circulated to members of the Audit Committee within a reasonable time after each meeting. No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he ceases to be a partner of the auditing firm.

(K) Auditors' Remuneration

The remuneration in respect of audit and non-audit services for the year ended 31 December 2017 provided by the Company's auditor, ZHONGHUI ANDA CPA Limited, are approximately HK$580,000 (2016: approximately HK$460,000) and approximately HK$190,000 (2016: approximately HK$55,000) respectively. Non-audit services provided by ZHONGHUI ANDA CPA Limited include the preparation and filing of tax return and professional services in relation to rights issue prospectus. The remuneration in respect of audit services for the year ended 31 December 2017 provided by the auditors of the Group's overseas subsidiaries is approximately HK$85,000 (2016: approximately HK$83,000).

(L) Risk Management and Internal Control

During the Year, the Group has complied with Principle C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Corporate Governance Report

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2017, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

- refer to inside information policy and procedures for more procedures.

Based on the internal control reviews conducted in 2017, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("**IA**") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment; (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the reviews made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

(M) Communication with Shareholders

At the 2017 AGM, a separate resolution was proposed by the Chairman of that meeting in respect of each separate issue, including the re-election of directors. The Vice Chairman of the Board, and chairmen of the Audit, Remuneration and Nomination Committees, or in absence of the chairman of such committees, any member from the respective committees, attended the 2017 AGM to address shareholders' queries. The Company establishes different communication channels with shareholders and investors: (i) shareholders can receive printed copies of corporate information, (ii) the general meeting provides a forum for shareholders to raise comments and exchange views with the Board, (iii) the Company's website offers communication channel between the Company and its shareholders and investors; and (iv) the Company's Sub-Registrar and Transfer Agent in Hong Kong serve the shareholders respecting all share registration matters.

The Company continues to enhance communications and relationships with its investors. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

To promote effective communication, the Company maintains a website at http://www.990.com.hk, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

(N) Shareholders' Rights

Pursuant to the clause 58 of the Bye-laws of the Company, members holding at the date of deposit of the requisition of not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all time have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Bermuda Companies Act 1981 (as amended).

The shareholders who intend to make enquiries of or obtain information shall give prior written notice to the Company, and the Company shall provide such information as soon as possible. Enquiries with the Board or the Company may be posted to the Company's principal place of business in Hong Kong, the address of which is Unit 3401-03, 34/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong, with telephone number: (852) 3755 8255, being available at normal business hours.

(1) Any number of shareholder(s) representing not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the meeting to which requisition relates; or (2) not less than 100 shareholders may, at their expense, provide a written request to the attention of the Company Secretary signed and deposited in accordance with the Bermuda Companies Act 1981 (as amended).

(O) Constitutional Documents

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no changes in the Company's constitutional documents during the Year.

(P) Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the financial statements of the Group are published in a timely manner. The reporting responsibilities of the Company's external auditors on the financial statements of the Group are set out in the section headed "Independent Auditor's Report" on pages 47 to 50 of this Annual Report.

Environmental, Social and Governance Report

1. About ESG Report

The Environmental, Social and Governance Report ("**ESG Report**") published by the Company summarizes the efforts and achievements made in corporate social responsibility and sustainable development by the Group. The ESG Report communicates the Group's sustainability strategies, management approaches and performances to our stakeholders, and introduce the Group's ongoing activities that forge the sustainability of the societies and the environment as a whole. For information of our corporate governance, please refer to the "Corporate Governance Report" on pages 28 to 39 of this Annual Report.

1.1. Scope of Report

The ESG Report focuses on the Group's sustainability approach and its environmental and social performance of the financial services business and the distribution and trading business for the Year. The environmental Key Performance Indicators ("**KPI**") as disclosed in the ESG Report is based on the performance of the Group's offices. As the Group's Shanghai office was newly leased in December 2017, records will be made and included in the disclosure of KPI in the next financial year.

1.2. Reporting Guideline

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Listing Rules.

1.3. Stakeholder Engagement

The engagement of employees from different divisions of the Group helps us recognize our sustainability performance. The diligently collected and carefully analyzed data underscores not only the Group's sustainable initiatives for the Year, but also the Group's short-term and long-term sustainability strategies. The Group will continue to increase the involvement of stakeholders via constructive conversation with a view to charting a course for long-term prosperity.

1.4. Information and Feedbacks

If you have any comments and suggestions about the ESG Report, please feel free to contact us via general@990.com.hk.

2. Green Operation

2.1. Emission

As a responsible corporation, the Group is dedicated to controlling and minimizing our emission in a bid to tackle environmental problems such as global warming. As a service-based business, production processes are not involved, whereas operation of back office is the only source of emission of the Group. The use of our business car for daily operation has generated a small amount of air pollutants including nitrogen oxides (NO_X), sulphur oxides (SO_X) and particulate matter (PM). In order to maximize the efficiency of our car hence reduce the emission of pollutants, we always keep it properly tuned and maintain an adequate tyre pressure by regular checks. For water pollution, no pollutants are generated from our business and office operation.

Apart from pollutants, our office operation also generates greenhouse gas form sources including the use of business car, electricity consumption, water and sewage treatment, disposal of paper to landfill and business trips by staff. As our offices are located in leased office premises where both water supply and discharge are solely controlled by the property owner/management office of the building, data of water consumption, hence greenhouse gas emission due to water and sewage treatment is not able to be obtained and calculated.

In view of the emission of greenhouse gas, the Group has exerted itself in introducing a number of measures aiming at reducing carbon footprint and greenhouse gas emission. We always prefer holding telephone/video conferences instead of unnecessary overseas business travel in order to minimize carbon emission generated from the flights. In case of necessary trips, first class or business class is always taken out from our consideration so that less carbon footprint is made. We have also adopted energy-saving measures, through which electricity consumption and the greenhouse gas emission associated with electricity generation can also be greatly reduced. (For details, please refer to the section of “Energy Conservation”)

2.2. Waste Management

Office operation is the only source of waste generation of the Group. In the Year, we generated non-hazardous waste which was all daily office garbage produced by our staff. Hazardous waste was also generated which includes ink cartridges and batteries. All wastes were collected and handled in a proper and legal manner so as to avoid detrimental impacts to the environment. Since the Group is not involved in product manufacturing or packaging, packaging materials were not consumed in the Year.

As an effort to reduce waste generation, the Group has adopted the "3Rs" principle as our waste management strategy. We implement the policy of double-sided printing and copying and disseminate information by electronic means whenever possible to reduce the consumption of paper. We also set up recycling bins to collect used paper products. Besides, we promote the reduction of the use of disposable and non-recyclable products. Our staff is also encouraged to reduce the use of one-off stationeries and equipment and use refillable stationeries as a substitution. For hazardous wastes, we collect all toner cartridges for recycling after use.

2.3. Energy Conservation

The sources of energy consumption of the Group were the combustion of fuels for our business cars and the use of electricity. As an environmentally-friendly corporate, we bear the responsibility to protect the nature. We have carried out many initiatives to reduce energy consumption, including encouraging our employees to switch off unnecessary lights and electronic equipment while not in use, maximizing the use of natural lighting, dividing the office area into different light zones using separate lighting switches, using split-type air-conditioners with Grade 1 Energy Efficiency Label, and allowing our employees to dress light in office, especially in summer.

We have also put several measures in place as an effort to increase the energy efficiency of equipment, such as installing energy-saving light bulbs and high-performance electrical equipment, keeping light fixtures and lamps clean, and cleaning the air filters of air-conditioners regularly. Moreover, we collect electricity consumption data on a monthly basis to monitor power consumption and make appropriate improvement accordingly.

3. Employees

3.1. Employment Standard

The Group complies with the Employment Ordinance of Hong Kong and all other relevant employment laws and regulations that deal with working hours and rest periods. All employees of the Group are employed in accordance with the requirements of relevant laws and regulations. During the recruitment process, the Group verifies the age of the applicants by checking documents such as identity card, academic certificates etc., in an attempt to avoid employment of child labor. Our recruitment and promotion are executed on a fair and open basis that the Group does not tolerate any form of discrimination on grounds of gender, race, skin color, age, religion and national origin. Before the official commencement of work, the Group will provide every employee with the job descriptions of the position, clearly stating their duties and responsibilities so as to prevent any form of forced labor. In case of resignation, an interview will be arranged in a bid to understand the reasons of resignation and to make possible improvement on the Group's operation.

3.2. Benefits and Development

Employees are our most valuable asset and the Group highly values their rights and welfare. The salary structure is reviewed annually to ensure that the Group offers competitive remuneration package to our employees. Except basic salary, the Group also offers discretionary bonus based on the individual performance of the employees and our financial performance. Statutory holidays are provided in accordance with relevant national and regional regulations. Our employees can enjoy different types of leave, including annual leave, compensation leave, sick leave and maternity leave etc. Retirement benefits are also provided according to relevant laws.

The Group organized internal training to develop our employees' potential to support the Group's sustainable development. In the Year, we have organized training on Listing Rules for relevant employees. Employees are also encouraged to attend external talks and seminars to enrich their knowledge in discharging their duties.

3.3. Health and Safety

The Group places great emphasis on the well-being of our employees therefore the Group adopts five-day work week and daily working hours are clearly defined in employment contracts to assure every employee of sufficient rest time. Terms regarding leaves such as annual leaves are also included in the contract to prevent the employees' right to take leave from being exploited. Work safety is the cornerstone of the sustainable development of the Group thereby we strictly comply with laws and regulations regarding occupational health and safety, such as the Occupational Safety and Health Ordinance of Hong Kong. The Group has established emergency policies such as fire or explosion emergency plan as a means to properly handle accidents. Rescue, fire and evacuation drills are also conducted regularly to increase our employees' awareness and involvement in accident prevention. The Group also creates a pleasant and comfortable workplace for our employees by carrying out a plenty of measures which include the provision of adjustable seats, provision of sufficient storage space to avoid overcrowded desk area, regular maintenance or replacement of office equipment, and keep objects and tools at easily accessible locations.

4. Operation Practices

4.1. Supply Chain Management

The Group relies on a range of suppliers to provide commodities for its distribution and trading business thus a proper management of the supply chain is of paramount importance. We have adopted the supplier credibility scoring system in an effort to evaluate and select suitable suppliers as our business partners. Scores are given to every supplier by taking into account their nature of business, financial status, sales performance and loyalty etc. so that priority can be given to suppliers having a better performance. For those scoring low, the Group will consider putting them on the blacklist.

To be environmentally-friendly, the Group upholds the green procurement principle that products and services which cause minimal adverse environmental impacts are always preferred during procurement. We also prefer suppliers who support sustainable development. Besides, we clearly inform potential suppliers of our expectations, policies and requirements during our procurement process to minimize the social risks caused by the supply chain. The Group monitors the performance of suppliers continuously and will suspend its cooperation with any supplier whose practice is found to be inconsistent with the Group's policy until the situation has been improved.

4.2. Protecting Our Client

The Group is dedicated to building a relationship of mutual trust with our customers. We collect and evaluate our customers' feedback and act swiftly to address the potential quality and safety issues in order to satisfy the needs of the customers. On the other hand, the Group is devoted to safeguarding our customers' personal information. In strict compliance with the law and regulation regarding privacy matter such as the Personal Data (Privacy) Ordinance of Hong Kong, personal information of our customers is collected and used in a responsible and non-discriminatory manner by restricting the use of information in accordance with purposes as defined in the contract. We also take steps to upgrade the security features of computer system as a means to safeguard the customers' personal information. In order to continuously protect the privacy of customers, ongoing measures such as risk identification and monitoring are also implemented.

4.3. Anti-corruption

The Group strictly complies with the law and regulation regarding bribery, extortion, fraud and money laundering such as the Prevention of Bribery Ordinance of Hong Kong. The Group has established the Anti-Bribery and Corruption Policy which is executed to prohibit bribery and corruption in all business dealings with private organizations, individuals, domestic or foreign governments or their representatives. A code of conduct is also set up that includes provisions for conflicts of interest, privacy, bribery and anti-corruption. To effectively prohibit commercial bribes, kickbacks or similar payoffs or benefits paid by any suppliers or clients, our employees are forbidden to receive anything with a significant value from parties in any form of relationships with the Group. The Group has also adopted a whistle-blowing policy to encourage the report of improper behavior and at the same time protect the whistleblowers.

5. Community Investment

In the Year, the Group has focused on charitable activities to show our grateful hearts to the community. We strongly encourage our staff to join various volunteer works.

Environmental, Social and Governance Report

Appendix: Key Performance Index (KPIs)

Environment	2017
Air Pollutants (g)	
NO_x	1,572
SO_x	34
PM	116
Greenhouse Gas (kg CO_2)	
Total emission	23,356
Direct emission (Scope 1)	6,205
Indirect emission (Scope 2)	14,522
Indirect emission (Scope 3)	2,629
Emission/number of employees	2,123
Wastes (kg)	
Total hazardous waste produced	3.2
Hazardous waste produced/number of employees	0.29
Total non-hazardous waste produced	1,080
Non-hazardous waste produced/number of employees	98
Energy Consumption (MWh)	
Total energy consumption	40
Fuel consumed for vehicles	22
Electricity	18
Energy consumption/number of employees	3.68
Social	
Total workforce (persons)	34
By gender	
Male	21
Female	13
By age group	
<30	12
30-50	17
>50	5
By employment type	
Permanent	31
Part-time	3
By geographical region	
Hong Kong	11
Singapore	16
Shanghai	7

Environmental, Social and Governance Report

	2017
Employee Turnover Rate (%)	6
By gender	
Male	5
Female	8
By age group	
<30	0
30-50	6
>50	20
By geographical region	
Hong Kong	18
Singapore	0
Shanghai	0
Health and Safety	
Number of work-related fatalities	0
Lost days due to work injury (days)	0

Independent Auditor's Report

TO THE SHAREHOLDERS OF
THEME INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Theme International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 51 to 101, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Trade and bills receivables

Refer to Note 17 to the consolidated financial statements

The Group tested the recoverability of the amount of trade and bills receivables. This recoverability test is significant to our audit because the balance of trade and bills receivables of approximately HK$858,809,000 as at 31 December 2017 are material to the consolidated financial statements. In addition, the Group's recoverability test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

– Assessing the Group's procedures on granting credit limits and credit periods to customers;

– Assessing the Group's relationship and transaction history with the customers;

– Evaluating the Group's impairment assessment;

– Assessing aging of the debts;

– Checking subsequent settlements from the customers; and

– Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's recoverability test for trade and bills receivables is supported by the available evidence.

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Audit Engagement Director
Practising Certificate Number P05988

Hong Kong, 16 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6	**5,389,307**	1,581,947
Cost of sales		**(5,321,420)**	(1,569,092)
Gross profit		**67,887**	12,855
Other income, gain and loss	7	**(6,281)**	(662)
Selling and distribution expenses		**(592)**	(600)
Administrative expenses		**(25,691)**	(35,506)
Profit/(loss) from operations		**35,323**	(23,913)
Finance costs	8	**(8,319)**	(1,643)
Profit/(loss) before taxation		**27,004**	(25,556)
Income tax	9	**(5,655)**	(381)
Profit/(loss) for the year attributable to owners of the Company	10	**21,349**	(25,937)
Other comprehensive (loss)/income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(163)**	197
		(163)	197
Total comprehensive income/(loss) for the year attributable to owners of the Company		**21,186**	(25,740)
Earnings/(loss) per share			(restated)
– Basic (HK cents per share)	13	**0.31**	(0.44)
– Diluted (HK cents per share)	13	**0.31**	(0.44)

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	**3,659**	575
Current assets			
Inventories	15	**1,325**	–
Loan to a customer	16	**–**	5,390
Trade and bills receivables and interest receivables	17	**858,809**	558,203
Accounts receivables	18	**1,961**	–
Prepayments, deposits and other receivables	19	**2,493**	72,862
Current tax recoverable		**328**	–
Cash and bank balances	20	**92,904**	27,432
		957,820	663,887
Current liabilities			
Trade payables	21	**290,207**	460,428
Trust receipt loans	22	**37,796**	–
Accounts payables	23	**780**	–
Accruals and other payables		**9,568**	1,414
Current tax payable		**5,696**	388
		344,047	462,230
Net current assets		**613,773**	201,657
NET ASSETS		**617,432**	202,232
Capital and reserves			
Share capital	24	**19,736**	13,157
Reserves	26	**597,696**	189,075
TOTAL EQUITY		**617,432**	202,232

The consolidated financial statements on pages 51 to 101 were approved and authorised for issue by the board of directors on 16 March 2018 and are signed on its behalf by:

Ng Chi Lung
Director

Wu Lei
Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2017

	Share capital HK$'000	Share premium account HK$'000	Share-based payment reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	10,965	182,472	78,196	(5,202)	(185,022)	81,409
Total comprehensive loss for the year	–	–	–	197	(25,937)	(25,740)
Issue of new shares (note 24(i))	2,192	120,324	–	–	–	122,516
Equity-settled share-based transaction (note 25)	–	–	24,047	–	–	24,047
Lapse/cancel of share options (note 25)	–	–	(102,243)	–	102,243	–
At 31 December 2016 and 1 January 2017	**13,157**	**302,796**	**–**	**(5,005)**	**(108,716)**	**202,232**
Total comprehensive income for the year	**–**	**–**	**–**	**(163)**	**21,349**	**21,186**
Issue of new shares (note 24(ii))	**6,579**	**387,435**	**–**	**–**	**–**	**394,014**
At 31 December 2017	**19,736**	**690,231**	**–**	**(5,168)**	**(87,367)**	**617,432**

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017	2016
	HK$'000	HK$'000
Cash flows from operating activities		
Profit/(loss) before taxation:	**27,004**	(25,556)
Adjustments for:		
Net reversal of allowance for obsolete inventories	**–**	(903)
Interest income on bank deposits	**(15)**	(4)
Finance costs	**8,319**	1,643
Depreciation of property, plant and equipment	**900**	168
Impairment losses	**6,199**	–
Loss/(gain) on disposal of property, plant and equipment	**2**	(22)
Share-based compensation expenses	**–**	24,047
Operating cash flows before working capital changes	**42,409**	(627)
Change in inventories	**(1,325)**	122,984
Change in loans to customers	**–**	59,610
Change in trade and bills receivables	**(301,037)**	(551,731)
Change in interest receivables	**(378)**	(91)
Change in accounts receivables	**(1,961)**	–
Change in prepayments, deposits and other receivables	**70,369**	(71,689)
Change in trade payables	**(170,565)**	335,337
Change in accounts payables	**780**	–
Change in accruals and other payables	**8,141**	191
Cash used in operations	**(353,567)**	(106,016)
Overseas tax paid	**(37)**	–
Hong Kong profits tax paid	**(638)**	–
Interest received	**15**	4
Net cash used in operating activities	**(354,227)**	(106,012)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3,986)**	(13)
Proceeds from disposal of property, plant and equipment	**–**	64
Net cash (used in)/generated from investing activities	**(3,986)**	51

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from financing activities			
Proceeds from trust receipt loans	27	**265,810**	–
Repayment of trust receipt loans	27	**(228,014)**	–
Interest paid		**(8,319)**	(1,643)
Net proceeds from issue of new shares		**394,014**	122,516
Net cash generated from financing activities		**423,491**	120,873
Net increase in cash and cash equivalents		**65,278**	14,912
Effect of changes in foreign exchange rates		**194**	248
Cash and cash equivalents at beginning of year		**27,432**	12,272
Cash and cash equivalents at end of year		**92,904**	27,432
Analysis of cash and cash equivalents			
Cash and bank balances		**92,904**	27,432

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. General Information

Theme International Holdings Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Unit 3401-03, 34/F., China Merchants 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 principal subsidiaries are set out in note 31 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "**Group**".

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 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("**HKAS**"); 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 years and prior years. However, additional disclosure is included in note 27 to the consolidated financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7 *Statement of Cash Flows: Disclosure Initiative* which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities/assets arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. At the date of authorisation of these consolidated financial statements, the following new and revised HKFRSs, which are applicable to the Group, were issued but are not yet effective:

(i) HKFRS 9 – Financial Instruments – effective for accounting year beginning on or after 1 January 2018

HKFRS 9 will supersede HKAS 39 *Financial Instruments: Recognition and Measurement* and covers classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

HKFRS 9 requires the Group to use an expected credit loss model for its trade and bills receivables and interest receivables and accounts receivables measured at amortised cost, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade and bills receivables and interest receivables and accounts receivables measured at amortised cost. Given the short term nature of these receivables, the Group does not expect these changes will have a significant impact.

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

(ii) HKFRS 15 – Revenue from Contracts with Customers – effective for accounting year beginning on or after 1 January 2018

HKFRS 15 applies to revenue from contracts with customers and replaces all of the revenue standards and interpretations in HKFRS. The standard outlines the principles an entity must apply to measure and recognise revenue and the related cash flows. The Group has undertaken a comprehensive analysis of the impact of the new standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under HKFRS 15. As the majority of the Group's revenue is derived from arrangements in which the transfer of risks and rewards coincides with the fulfilment of performance obligations and transfer of control as defined by HKFRS 15, no material changes in respect of timing and amount of revenue currently recognised by the Group are expected. In addition, HKFRS 15 requires that "distinct" promised goods or services, such as insurance and freight services to deliver the contracted goods to the customers, if material, be deferred and recognised over time as the obligation is fulfilled. The impact of this change is also not material, however the revenue earned from these activities is required to be separately disclosed and thus there will be presentational changes in our revenue related note disclosures.

(iii) HKFRS 16 – Leases – effective for accounting year beginning on or after 1 January 2019

HKFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment (on-balance sheet) in the financial statements of both lessees and lessors. It supersedes HKAS 17 *Leases* and its associated interpretative guidance. Under the new standard, a lessee is required to recognise the present value of the unavoidable lease payments as a lease liability on the statement of financial position (including those currently classified as operating leases) with a corresponding right-of-use asset. The unwind of the financial charge on the lease liability and amortisation of the leased asset are recognised in the statement of profit or loss based on the implied interest rate and contract term respectively. Although the Group is still evaluating the potential impact of HKFRS 16 on the financial statements and performance measures, including an assessment of whether any arrangements the Group enters into will be considered a lease under HKFRS 16, the Group's recognised assets and liabilities will increase and affect the presentation and timing of related depreciation and interest charges in the statement of profit or loss. Upon adoption of HKFRS 16, the most significant impact will be the present value of the operating lease commitments (see note 28 to the consolidated financial statements) being shown as a liability on the statement of financial position together with an asset representing the right-of-use which are unwound and amortised to the statement of profit or loss over time.

3. Significant Accounting Policies

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

3. Significant Accounting Policies (continued)

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors of the Company (the "**Directors**") to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are further disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of subsidiaries that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. Significant Accounting Policies (continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

3. Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Shorter of lease term or useful lives
Plant and equipment	15%
Furniture and fixtures at:	
Shops	Over the lease term
Sales counters and offices	20%
Office equipment	20%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

3. Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

3. Significant Accounting Policies (continued)

Trade and other receivables (continued)

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably.

Revenue comprises the fair value of the consideration for the sale of goods in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Revenue from the sale of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed to the customers.

(b) Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

3. Significant Accounting Policies (continued)

Share-based payments

The Group issues equity-settled share-based payments to certain Directors, employees and consultants.

Equity-settled share-based payments to Directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions, with a corresponding increase in a capital reserve in equity.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense, with a corresponding increase in a capital reserve in equity.

The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profit).

Where an option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant Accounting Policies (continued)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Significant Accounting Policies (continued)

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

3. Significant Accounting Policies (continued)

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to and assessing the performance of the Group's various lines of business in different geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Significant Accounting Policies (continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

5. Financial Risk Management

The Group's activities expose it to a variety of financial risks, foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the cash and bank balances, trade, bills, interest and other receivables and loans to customers receivable included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. At 31 December 2017, the Group has certain concentration of credit risk of approximately HK$852,997,000 (2016: approximately HK$557,755,000) of trade and bills receivables which was arising from the Group's largest five (2016: two) debtors respectively.

The Group has policies in place to ensure that sales on credit terms and loans are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. Apart from receivables that are impaired at year end, the remaining debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that no provision for the remaining uncollectible receivables is required.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

5. Financial Risk Management (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms.

The maturity analysis of the Group's financial liabilities which are based on contractual undiscounted cash flows as follows:

	Within 1 year or on demand	
	2017	2016
	HK$'000	HK$'000
Trade payables	**290,207**	460,428
Trust receipt loans	**37,836**	–
Accounts payables	**780**	–
Accruals and other payables	**9,568**	1,414
	338,391	461,842

(d) Interest rate risk

The Group's loans to customers of HK$Nil (2016: HK$5,390,000) bear interests at fixed rates and therefore are subject to fair value interest rate risks.

As the Group has no other significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in marked interest rate.

5. Financial Risk Management (continued)

(e) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)		
Loan to a customer	–	5,390
Trade and bills receivables and interest receivables	858,809	558,203
Accounts receivables	1,961	–
Deposits and other receivables	1,575	1,772
Cash and bank balances	92,904	27,432
	955,249	592,797
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	290,207	460,428
Trust receipt loans	37,796	–
Accounts payables	780	–
Accruals and other payables	9,568	1,414
	338,351	461,842

(f) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. Revenue and Segment Information

(a) Revenue

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

	2017	2016
	HK$'000	HK$'000
Sales from trading of goods	**5,388,915**	1,576,354
Interest income from loans to customers	**377**	4,850
Commission income and financial services fee income	**15**	–
Retailing of garments	**–**	743
	5,389,307	1,581,947

(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 2017, the Group's reportable and operating segments are as follows:

(i) Distribution and trading business – trading of bulk commodities and related products in Hong Kong, Singapore and the People's Republic of China (the "**PRC**"); and

(ii) Financial services business – provision of loan financing services, securities and derivatives financial services and margin financing in Hong Kong and Singapore.

During the year ended 31 December 2016, the Group's reportable and operating segment also include the garment retailing segment in Taiwan which was terminated during the year ended 31 December 2016.

6. Revenue and Segment Information (continued)

(b) Segment information (continued)

Segment information and results:

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

Year ended 31 December 2017

	Distribution and trading HK$'000	Financial services HK$'000	Total HK$'000
Revenue	**5,388,915**	**392**	**5,389,307**
Segment profit/(loss)	**58,560**	**(17,447)**	**41,113**
Finance costs	**(8,319)**	**–**	**(8,319)**
Unallocated other income, gain and loss			**(80)**
Corporate expenses			**(5,710)**
Profit before taxation			**27,004**

Year ended 31 December 2016

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

6. Revenue and Segment Information (continued)

(b) Segment information (continued)

Segment information and results: (continued)

The accounting policies of the reportable and operating segments 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 2017

	Distribution and trading HK$'000	Financial services HK$'000	Total HK$'000
Segment assets	**909,891**	**40,880**	**950,771**
Unallocated property, plant and equipment			**3**
Unallocated prepayments, deposits and other receivables			**2,230**
Current tax recoverable			**328**
Unallocated cash and bank balances			**8,147**
Consolidated assets			**961,479**
Segment liabilities	**293,362**	**1,673**	**295,035**
Trust receipt loans	**37,796**	**–**	**37,796**
Unallocated trade payables			**3,768**
Unallocated accruals and other payables			**1,752**
Current tax payable			**5,696**
Consolidated liabilities			**344,047**

6. Revenue and Segment Information (continued)

(b) Segment information (continued)

Segment assets and liabilities: (continued)

As at 31 December 2016

	Distribution and trading HK$'000	Loan financing services HK$'000	Retailing of garments HK$'000	Total HK$'000
Segment assets	643,307	7,676	147	651,130
Unallocated property, plant and equipment				16
Unallocated prepayments, deposits and other receivables				2,380
Unallocated cash and bank balances				10,936
Consolidated assets				664,462
Segment liabilities	457,318	31	3,585	460,934
Unallocated accruals and other payables				908
Current tax payable				388
Consolidated liabilities				462,230

Other segment information:

	Distribution and trading HK$'000	**Financial services HK$'000**	**Total HK$'000**
Year ended 31 December 2017			
Amounts included in the measure of segment results or segment assets:			
Additions of property, plant and equipment	4	3,982	3,986
Depreciation of property, plant and equipment	1	899	900

6. Revenue and Segment Information (continued)

(b) Segment information (continued)

Other segment information: (continued)

	Loan financing services HK$'000	Retailing of garments HK$'000	Total HK$'000
Year ended 31 December 2016			
Amounts included in the measure of segment results or segment assets:			
Depreciation of property, plant and equipment	160	5	165

Geographical information:

	Revenue		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**377**	1,181,287	**3,249**	575
Singapore	**5,388,930**	399,917	**406**	–
The PRC	**–**	–	**4**	–
Taiwan	**–**	743	**–**	–
	5,389,307	1,581,947	**3,659**	575

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

Information about major customers:

Revenue from four (2016: three) customers from the Group's distribution and trading business segment contributing over 10% of the total revenue of the Group represents approximately HK$3,967,800,000 (2016: approximately HK$1,454,285,000) of the Group's total revenue.

7. Other Income, Gain and Loss

	2017 HK$'000	2016 HK$'000
Interest income on bank deposits	**15**	4
(Loss)/gain on disposal of property, plant and equipment	**(2)**	22
Exchange loss, net	**(102)**	(771)
Impairment loss on loan to a customer and interest receivables	**(6,199)**	–
Others	**7**	83
	(6,281)	(662)

8. Finance Costs

	2017 HK$'000	2016 HK$'000
Bills discounting interest expenses and interest expenses on trust receipt loans	**8,319**	1,643

9. Income Tax

	2017 HK$'000	2016 HK$'000
Current tax		
– Hong Kong Profits Tax – provision for the year	**–**	309
– over-provision for prior year	**–**	(6)
– Singapore Corporate Income Tax – provision for the year	**5,696**	78
– over-provision for prior year	**(41)**	–
	5,655	381

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits in respect of the Group's operating entities in Hong Kong for the year. No Hong Kong Profits Tax was provided for the year ended 31 December 2017 as the Company and its subsidiaries have no assessable profit arising from Hong Kong during the reporting period.

9. Income Tax (continued)

Singapore Corporate Income Tax is provided using the Singapore standard rate of income tax of 17% or the concession rate of 10% for the year ended 31 December 2017. With the Global Trader Programme ("**GTP**") incentive awarded to Bright Point Trading Pte. Ltd., a wholly-owned subsidiary of the Company, by the Inland Revenue Authority of Singapore with effect from 1 January 2017, certain qualified income generated during the year ended 31 December 2017 from the distribution and trading business of the Group has been charged at a tax concessionary rate of 10%. Any other income not qualified for the GTP incentive has been charged at the standard rate of 17% during the year ended 31 December 2017. Singapore Corporate Income Tax was provided using the standard rate 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 profit/(loss) before taxation is as follows:

	2017 **HK$'000**	2016 HK$'000
Profit/(loss) before taxation	**27,004**	(25,556)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable in the jurisdiction concerned	**4,690**	(4,217)
Tax effect on income that is not taxable	**(51)**	(89)
Tax effect of expenses that are not deductible	**752**	4,139
Over provision in respect of prior years	**(41)**	(6)
Utilisation of tax losses previously not recognised	**–**	(680)
Effect of GTP incentive award	**(3,544)**	–
One-off tax reduction	**(78)**	(98)
Tax losses not recognised	**3,927**	1,332
	5,655	381

At the end of the reporting period, subject to agreement with tax authorities, the Group has unused tax losses of approximately HK$408,136,000 (2016: approximately HK$374,706,000) 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$39,628,000 (2016: approximately HK$36,042,000) that will expire on or before 2025 (2016: expire on or before 2025), other tax losses may be carried forward indefinitely.

10. Profit/(loss) for the Year

The Group's profit/(loss) for the year is stated after charging the following:

	Notes	**2017** **HK$'000**	2016 HK$'000
Cost of inventories recognised as expenses	(a)	**5,321,380**	1,569,092
Depreciation of property, plant and equipment		**900**	168
Auditors' remuneration			
– audit services		**665**	543
– non-audit services	(c)	**110**	55
		775	598
Operating lease rentals in respect of rented premises		**3,266**	1,199
Directors' remuneration (note 11)	(b)	**6,212**	8,014
Consultancy fees	(b)	**463**	19,118
Other staff costs			
– salaries, discretionary bonuses and allowances	(b)	**6,960**	2,195
– retirement benefits scheme contributions		**356**	59
		7,316	2,254

Notes:

(a) Excess obsolete inventory provisions of approximately HK$903,000 were reversed in the year ended 31 December 2016 when the relevant inventories were sold. No provision was reversed in the year ended 31 December 2017.

(b) For the year ended 31 December 2016, 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 were included in Directors' remuneration, other staff costs and consultancy fees respectively. No equity-settled share-based payment was recorded in the year ended 31 December 2017.

(c) The remuneration in respect of non-audit service provided by the Company's auditors in the year ended 31 December 2017 was HK$190,000 (2016: HK$55,000), in which HK$110,000 (2016: HK$55,000) was charged to profit or loss in the year and HK$80,000 (2016: HK$ Nil) relating to the professional services in connection with the rights issue was charged to equity in the year.

11. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2017 is set out below:

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:						
Mr. Ng Chi Lung		–	1,188	110	18	1,316
Mr. Wu Lei		–	1,081	279	100	1,460
Ms. Chen Jing	6	180	330	330	–	840
Ms. Wu Aiping	7	–	331	–	9	340
Mr. Cao Zhuoqun	7	–	154	163	19	336
Mr. Wong Hok Bun Mario		–	1,257	285	18	1,560
Independent non-executive directors:						
Mr. Chan Chi Ming, Tony		120	–	–	–	120
Mr. Wu Shiming		120	–	–	–	120
Mr. Chan Wah		120	–	–	–	120
		540	4,341	1,167	164	6,212

11. Directors' and Senior Management's Emoluments (continued)

(a) Directors' emoluments (continued)

The remuneration of each Director for the year ended 31 December 2016 is set out below:

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Equity-settled share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:						
Mr. Liu Bing	1	–	–	–	–	–
Mr. Ng Chi Lung	2	–	1,063	3,651	13	4,727
Ms. Wong Fung Chi	3	–	161	–	5	166
Mr. Wong Lik Ping	4	–	–	–	–	–
Mr. Wu Lei	5	–	272	–	17	289
Mr. Wong Hok Bun Mario		–	1,209	912	18	2,139
Non-executive director:						
Ms. Chen Jing	6	60	–	–	–	60
Independent non-executive directors:						
Mr. Chan Chi Ming, Tony		120	–	91	–	211
Mr. Wu Shiming		120	–	91	–	211
Mr. Chan Wah		120	–	91	–	211
		420	2,705	4,836	53	8,014

Notes:

1. Resigned on 1 January 2016
2. Appointed on 1 April 2016
3. Resigned on 1 April 2016
4. Resigned on 6 January 2016
5. Appointed on 1 October 2016
6. Appointed as non-executive director on 1 October 2016 and re-designated as executive director on 1 October 2017
7. Appointed on 1 October 2017

11. Directors' and Senior Management's Emoluments (continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2016: three) are Directors whose emoluments are disclosed in note 11(a) above. The aggregate of the emoluments in respect of the five individuals with the highest emoluments (including the Directors) are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries, discretionary bonuses and allowances	**7,489**	3,387
Equity-settled share-based payments	**–**	4,561
Retirement benefit scheme contributions	**206**	65
	7,695	8,013

The emoluments of the five individuals with the highest emoluments are within the following bands:

	2017	2016
Nil to HK$1,000,000	**–**	3
HK$1,000,001 to HK$1,500,000	**3**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	1
HK$4,500,001 to HK$5,000,000	**–**	1

Save as disclosed above, for the two years ended 31 December 2017 and 2016, no other emoluments had been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

12. Dividend

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2017 (2016: Nil).

13. Earnings/(loss) per Share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company was based on the profit/(loss) for the year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year as further detailed in note 24(ii).

	2017 **HK$'000**	2016 HK$'000
Profit/(loss):		
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic earnings/(loss) per share	**21,349**	(25,937)

	2017 **'000**	2016 '000 (restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share (note)	**6,981,797**	5,876,245

Note: On 21 June 2017, the Company announced the completion of a rights issue of 2,631,409,918 rights shares at HK$0.15 per rights share. As the Company's share market price immediately before the exercise of rights was higher than the rights subscription price, this gave rise to a bonus element in the rights issue to existing shareholders. Therefore earnings/(loss) per share is calculated as if the bonus element (but not the total rights issue) arose proportionately at the start of the earliest period for which earnings/(loss) per share is presented in accordance with the requirements under HKAS 33.

(b) Diluted earnings/(loss) per share

As the Company's outstanding share options had an anti-dilutive effect to the basic loss per share calculation for the year ended 31 December 2016, the conversion of the above potential dilutive shares will result in a decrease of loss per share for that year. During the current year, there is no instrument with potential dilutive shares issued by the Company. Therefore the basic and diluted earnings/(loss) per share for the respective years are equal.

14. Property, Plant and Equipment

	Leasehold improvements HK$'000	Plant and equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 January 2016	–	43	2,945	759	3,747
Additions	–	–	13	–	13
Disposals	–	(43)	(2,890)	–	(2,933)
Exchange adjustments	–	–	(5)	–	(5)
At 31 December 2016 and 1 January 2017	–	–	63	759	822
Additions	2,183	–	1,803	–	3,986
Disposals	–	–	(4)	–	(4)
At 31 December 2017	2,183	–	1,862	759	4,804
Accumulated depreciation:					
At 1 January 2016	–	43	2,856	77	2,976
Charge for the year	–	–	16	152	168
Elimination on disposal	–	(43)	(2,849)	–	(2,892)
Exchange adjustments	–	–	(5)	–	(5)
At 31 December 2016 and 1 January 2017	–	–	18	229	247
Charge for the year	546	–	202	152	900
Elimination on disposal	–	–	(2)	–	(2)
At 31 December 2017	546	–	218	381	1,145
Carrying amount:					
At 31 December 2017	1,637	–	1,644	378	3,659
At 31 December 2016	–	–	45	530	575

15. Inventories

	2017 HK$'000	2016 HK$'000
Finished goods	**1,325**	–

16. Loan to a Customer

	2017	2016
	HK$'000	HK$'000
Loan to a customer	**5,390**	5,390
Provision for impairment	**(5,390)**	–
	–	5,390

Movements in the provision for impairment of loan to a customer is as follows:

	2017	2016
	HK$'000	HK$'000
At 1 January	**–**	–
Provision for impairment recognised during the year	**5,390**	–
At 31 December	**5,390**	–

The fixed-rate loan to a customer of HK$5,390,000 (2016: HK$5,390,000) as at the end of reporting period under the Group's loan financing services operation represent loan advances to an independent third party which was secured by personal guarantee. The interest rate for the loan to a customer was 12% 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. At 31 December 2017, the loan was past due (2016: not yet due) and no refund was probable despite the series of chasing actions conducted by the Group. Accordingly, an allowance was made for estimated irrecoverable loan of HK$5,390,000 (2016: Nil).

Aging analysis

Aging analysis of loan to a customer prepared based on loan commencement or renewal date set out in the relevant contracts, and net of impairment allowances, is as follows:

	2017	2016
	HK$'000	HK$'000
Less than 1 year	**–**	5,390

16. Loan to a Customer (continued)

Aging analysis (continued)

Aging analysis of loan to a customer prepared based on contractual due date, and net of impairment allowances, is as follows:

	2017	2016
	HK$'000	HK$'000
Not yet past due	**–**	5,390

17. Trade and Bills Receivables and Interest Receivables

	2017	2016
	HK$'000	HK$'000
Trade and bills receivables	**858,809**	557,772
Interest receivables	**809**	431
Allowance for bad and doubtful debts	**(809)**	–
	858,809	558,203

Trade and bills receivables as at the end of reporting period mainly represent receivables from trading customers and relevant bills issuing banks in relation to the sale of commodities. The majority of the Group's sales are on letter of credit or document against payment. The remaining sales are with average credit period of 5 to 90 days (2016: 5 to 90 days).

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

	2017	2016
	HK$'000	HK$'000
Not yet due or within 90 days	**854,547**	558,187
91-180 days	**4,262**	–
Over 1 year	**–**	16
	858,809	558,203

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.

17. Trade and Bills Receivables and Interest Receivables (continued)

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. Save as the interest receivables due from the loan to a customer as mentioned on note 16 to the consolidated financial statements, the Directors consider that no allowance for bad and doubtful debts is required. No allowance for bad and doubtful debts are provided for trade receivables and bills receivables during the year and at the end of the reporting period.

18. Accounts Receivables

	2017 **HK$'000**	2016 HK$'000
Arising from the business of dealing in futures contracts:		
– Brokers and dealers		
– representing customer balances	**780**	–
– representing house balances	**1,169**	–
	1,949	–
Arising from financial services provided:		
– Customers	**12**	–
	1,961	–

Accounts receivables from brokers and dealers are all current and repayable on demand. No aging analysis is disclosed as in the opinion of Directors, the aging analysis does not give additional value in view of the nature of broking business.

The Group has a policy for determining the allowance for impairment based on the evaluation of collectability and management's judgement, including the creditworthiness, collateral and past collection history of the counter-parties.

19. Prepayments, Deposits and Other Receivables

	2017 HK$'000	2016 HK$'000
Trade deposits	–	70,082
Prepayments	918	1,008
Deposit and other receivables	1,575	1,772
	2,493	72,862

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

20. Cash and Bank Balances

	2017 HK$'000	2016 HK$'000
Cash at bank		
– General accounts	92,900	27,423
– Trust and segregated accounts	1	–
Cash in hand	3	9
	92,904	27,432

The Group maintains segregated trust accounts with licensed financial institutions and approved bank incorporated outside Hong Kong to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as bank trust account balances under the current assets section of the statement of financial position and recognised the corresponding accounts payable to respective clients on the ground that it is liable for any loss or misappropriation of the client's monies. The Group is not permitted to use the clients' monies to settle its own obligations.

21. Trade Payables

	2017 HK$'000	2016 HK$'000
Trade payables	290,207	460,428

21. Trade Payables (continued)

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

	2017	2016
	HK$'000	HK$'000
Within 90 days	**273,103**	456,966
91-180 days	**13,336**	–
Over 1 year	**3,768**	3,462
	290,207	460,428

22. Trust Receipt Loans

	2017	2016
	HK$'000	HK$'000
Trust receipt loans – secured	**37,796**	–

The maturity of trust receipt loans is as follows:

	2017	2016
	HK$'000	HK$'000
Repayable on demand or within 1 year	**37,796**	–

Trust receipt loans at 31 December 2017 are secured by:

(i) guarantee by the beneficial owner of the Group; and

(ii) deed of charge and assignment.

The average effective interest rate per annum at 31 December 2017 is as follows:

	2017	2016
Trust receipt loans	**2.56%**	–

The trust receipt loans are denominated in US$ and their carrying values approximate their fair values.

23. Accounts Payables

	2017 **HK$'000**	2016 HK$'000
Arising from the business of dealing in futures contracts	**780**	–

Accounts payables arising from business of dealing in futures contracts are margin deposits received from clients for their trading of these contracts. The required margin deposits are repayable upon the closure of the corresponding futures contracts position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand.

24. Share Capital

	Notes	Number of ordinary shares of HK$0.0025 each ('000)	HK$'000
Authorised:			
At 1 January 2016, 31 December 2016 and 2017		**200,000,000**	**500,000**
Issued and fully paid:			
At 1 January 2016		4,385,820	10,965
Issue of new shares under subscription	(i)	877,000	2,192
At 31 December 2016 and 1 January 2017		**5,262,820**	**13,157**
Issue of new shares on rights issue	(ii)	**2,631,410**	**6,579**
At 31 December 2017		**7,894,230**	**19,736**

24. Share Capital (continued)

Note:

(i) 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.

(ii) During the year ended 31 December 2017, a total 2,631,409,918 new ordinary shares of par value of HK$0.0025 each of the Company were issued under a rights issue at HK$0.15 per rights share with an aggregate consideration of approximately HK$394,711,000, of which approximately HK$6,579,000 was credited to share capital and the remaining balance of approximately HK$387,435,000 (net of issuing expenses of approximately HK$697,000) was credited to the share premium account. The rights issue was completed on 21 June 2017. Details of the rights issue are disclosed in the Company's announcements dated 4 May 2017, 18 May 2017 and 20 June 2017 and the Company's prospectus dated 29 May 2017.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No major changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2017 and 2016.

The capital structure of the Group consists of debt and equity attributable to owners of the Company, comprising share capital and reserves.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities to total assets. The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017 **HK$'000**	2016 HK$'000
Total liabilities	**344,047**	462,230
Total assets	**961,479**	664,462
Gearing ratio	**36%**	70%

25. 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 date of 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.

25. Equity-Settled Share Option Scheme (continued)

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 value 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 value 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 expenses 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 ended 31 December 2016. 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.

25. Equity-Settled Share Option Scheme (continued)

The following table discloses movements in the Company's share options during the year ended 31 December 2016:

	Notes	Outstanding at 1 January 2016	Granted during the year	Reclassified during the year	Lapsed/ cancelled during the year	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)	–			

25. Equity-Settled Share Option Scheme (continued)

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.

No share option was exercised under the 2009 Scheme during the year ended 31 December 2016.

All 358,500,000 outstanding share options granted under the 2009 Scheme were either cancelled or lapsed, 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 accumulated losses upon the share options were either cancelled or lapsed on 19 July 2016.

No share option was granted, exercised, lapsed or cancelled under the 2009 Scheme during the year ended 31 December 2017. There were no share options outstanding as at 31 December 2017 and 2016.

Apart from the 2009 Scheme, during the years ended 31 December 2017 and 2016, 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.

26. Reserves

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium account HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	182,472	78,196	(187,029)	73,639
Loss for the year	–	–	(26,158)	(26,158)
Issue of new shares (note 24(i))	120,324	–	–	120,324
Equity-settled share-based transaction (note 25)	–	24,047	–	24,047
Lapse/cancel of share options (note 25)	–	(102,243)	102,243	–
At 31 December 2016 and 1 January 2017	**302,796**	**–**	**(110,944)**	**191,852**
Loss for the year	**–**	**–**	**(5,963)**	**(5,963)**
Issue of new shares (note 24(ii))	**387,435**	**–**	**–**	**387,435**
At 31 December 2017	**690,231**	**–**	**(116,907)**	**573,324**

(c) Nature and purpose of reserves

(i) Share premium account

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981 (as amended).

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

27. Notes to the Consolidated Statement of Cash Flows

Changes in liabilities arising from financing activities

The following shows the Group's changes in liabilities arising from financing activities, including both cash and non-cash changes, during the year:

	Trust receipt loans HK$'000
At 1 January 2017	**–**
Changes in cash flows	
– Proceeds from trust receipt loans	**265,810**
– Repayment of trust receipt loans	**(228,014)**
– Interest paid	**(8,319)**
Other changes	
– Finance costs	**8,319**
At 31 December 2017	**37,796**

28. Operating Lease Commitments

Leases for office premises are negotiated for terms ranging from 1 to 3 years. At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Land and buildings	
	2017 **HK$'000**	2016 HK$'000
Within one year	**3,674**	3,059
In the second to fifth year, inclusive	**3,598**	7,177
	7,272	10,236

29. Statement of Financial Position of the Company

	2017 HK$'000	2016 HK$'000
Non-current assets		
Property, plant and equipment	**3**	4
Investments in subsidiaries	**390,002**	78,002
	390,005	78,006
Current assets		
Amounts due from subsidiaries	**196,715**	114,779
Prepayments, deposits and other receivables	**2,086**	2,380
Cash and bank balances	**7,948**	10,711
	206,749	127,870
Current liabilities		
Accruals and other payables	**1,552**	867
Amount due to a subsidiary	**2,142**	–
	3,694	867
Net current assets	**203,055**	127,003
NET ASSETS	**593,060**	205,009
Capital and reserves		
Share capital	**19,736**	13,157
Reserves	**573,324**	191,852
TOTAL EQUITY	**593,060**	205,009

30. 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:

	2017 **HK$'000**	2016 HK$'000
Interest income from Golden Empires Limited	**–**	2,659

On 31 March 2016, Mr. Ng Chi Lung was appointed as executive director, vice chairman and authorised 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. The loan was fully repaid in October 2016.

* *for identification purpose only*

31. Particulars of Principal Subsidiaries of the Company

The table below lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the financial position of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Particulars of the principal subsidiaries as at 31 December 2017 and 2016 are as follows:

Name of the subsidiary	Place of incorporation/ registration/ operation	Issued and paid-up share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			2017	2016	
Access Sino Limited	BVI	US$1	**100%**	100%	Investment holding
Swift Win Holdings Limited	BVI	US$1	**100%**	100%	Investment holding
BPI Financial Group Limited	Hong Kong	HK$1	**100%**	N/A	Investment holding
BPI Futures (HK) Holdings Limited	Hong Kong	HK$1	**100%**	N/A	Investment holding
Asia Develop Limited	Hong Kong	HK$1	**100%**	100%	Loan financing services
King Topwell International Limited	Hong Kong	HK$1	**100%**	100%	Distribution and trading
Bright Point International Securities Limited	Hong Kong	HK$15,000,000 (2016: HK$1)	**100%**	100%	Provision of securities brokerage services
Bright Point International Futures Limited	Hong Kong	HK$10,000,000 (2016: HK$1)	**100%**	100%	Provision of futures contract brokerage services
Bright Point Trading Pte. Ltd.	Singapore	US$50,000,000 (2016: US$10,000,000)	**100%**	100%	Distribution and trading

31. Particulars of Principal Subsidiaries of the Company (continued)

Name of the subsidiary	Place of incorporation/ registration/ operation	Issued and paid-up share capital/ registered capital	Percentage of equity interest attributable to the Group 2017	2016	Principal activities
Bright Point International Futures (SG) Pte. Ltd.	Singapore	US$350,000	**100%**	N/A	Provision of financial brokerage services
BPI Trading (SG) Pte. Ltd.	Singapore	US$1	**100%**	N/A	Provision of structured trade services
BPI Futures (SG) Holdings Pte. Ltd.	Singapore	US$1	**100%**	N/A	Investment holding
BPI Trading (SG) Holdings Pte. Ltd.	Singapore	US$1	**100%**	N/A	Investment holding
BPI Financial (SG) Holdings Pte. Ltd.	Singapore	US$1	**100%**	N/A	Investment holding
Bright Point International Financial (SG) Pte. Ltd.	Singapore	US$1,000,000	**100%**	N/A	Provision of financial brokerage services and structured trade services
Jingdian (Shanghai) Trading Co., Ltd.	The PRC	RMB10,000,000 (2016: Nil)	**100%**	100%	Distribution and trading
Da Hua Li Company Limited	Taiwan	NTD8,000,000	**100%**	100%	Dormant
Taiwan Vision Company Limited	Taiwan	NTD80,000,000	**100%**	100%	Dormant

32. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 16 March 2018.

Five Years Financial Summary

RESULTS

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**5,389,307**	1,581,947	55,044	77,492	87,274
Profit/(loss) before taxation	**27,004**	(25,556)	(23,376)	(22,253)	(15,289)
Income tax	**(5,655)**	(381)	(7)	–	(52)
Profit/(loss) for the year attributable to owners of the Company	**21,349**	(25,937)	(23,383)	(22,253)	(15,341)

ASSETS AND LIABILITIES

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**961,479**	664,462	207,680	47,651	55,887
Total liabilities	**(344,047)**	(462,230)	(126,271)	(56,645)	(43,494)
Net assets/(liabilities)	**617,432**	202,232	81,409	(8,994)	12,393