



Interim Report

2018



**T h e m e**

**Theme International Holdings Limited**

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

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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Kang Jian (*Vice Chairman & Chief Executive Officer*) (*appointed on 8 August 2018*)

Mr. Wu Lei (*Chief Financial Officer*)

Ms. Chen Jing

Ms. Wu Aiping

Mr. Hu Yong (*appointed on 8 August 2018*)

Mr. Ng Chi Lung (*Vice Chairman*) (*resigned on 31 July 2018*)

Mr. Cao Zhuoqun (*resigned on 8 August 2018*)

Mr. Wong Hok Bun Mario (*resigned on 12 August 2018*)

### Independent Non-Executive Directors

Mr. Chan Chi Ming, Tony

Mr. Wu Shiming

Mr. Liu Song (*appointed on 8 August 2018*)

Mr. Chan Wah (*resigned on 8 August 2018*)

## AUDIT COMMITTEE

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

Mr. Wu Shiming

Mr. Liu Song (*appointed on 8 August 2018*)

Mr. Chan Wah (*resigned on 8 August 2018*)

## REMUNERATION COMMITTEE

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

Mr. Wu Shiming

Mr. Liu Song (*appointed on 8 August 2018*)

Mr. Chan Wah (*resigned on 8 August 2018*)

## NOMINATION COMMITTEE

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

Mr. Wu Shiming

Mr. Liu Song (*appointed on 8 August 2018*)

Mr. Chan Wah (*resigned on 8 August 2018*)

## Corporate Information

### AUTHORISED REPRESENTATIVES

Mr. Wu Lei (*appointed on 31 July 2018*)

Ms. Chen Jing (*appointed on 31 July 2018*)

Mr. Ng Chi Lung (*resigned on 31 July 2018*)

Mr. Wong Hok Bun Mario (*resigned on 31 July 2018*)

### COMPANY SECRETARY

Mr. Wong Hok Bun Mario (*FCPA, CFA & MAusIMM*) (*resigned on 12 August 2018*)

### 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

### REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda



## Corporate Information

### 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

### 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](http://www.990.com.hk)

# Condensed Consolidated Financial Statements

The board (the “**Board**”) of directors (the “**Directors**”) of Theme International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017.

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	4	1,794,883	2,854,417
Cost of sales		(1,709,255)	(2,832,909)
Gross profit		85,628	21,508
Other income, gain and loss		(18,659)	(205)
Selling and distribution expenses		(17,101)	—
Administrative expenses		(24,324)	(8,985)
Profit from operations		25,544	12,318
Finance costs	5(a)	(2,661)	(5,321)
Profit before taxation	5	22,883	6,997
Income tax	6	(5,091)	(1,614)
Profit for the period		17,792	5,383
Attributable to:			
– Owners of the Company		16,453	5,383
– Non-controlling interests		1,339	—
		17,792	5,383
Other comprehensive income/(loss):			
– item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		145	(238)
Other comprehensive income/(loss) for the period, net of tax		145	(238)
Total comprehensive income for the period		17,937	5,145
Attributable to:			
– Owners of the Company		16,598	5,145
– Non-controlling interests		1,339	—
		17,937	5,145
Earnings per share			
Basic and diluted	7	HK0.21 cents	HK0.09 cents

# Condensed Consolidated Financial Statements

## Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	3,476	3,659
Current assets			
Inventories	10	441,450	1,325
Loan to a customer	11	—	—
Trade and bills receivables and interest receivables	12	508,640	858,809
Accounts receivables	13	188,834	1,961
Financial assets at fair value through profit or loss	14	27,965	—
Prepayments, deposits and other receivables	15	118,959	2,493
Current tax recoverable		328	328
Cash and bank balances	16	460,133	92,904
		<b>1,746,309</b>	<b>957,820</b>
Current liabilities			
Trade payables	17	511,629	290,207
Trust receipt loans	18	—	37,796
Accounts payables	19	172,262	780
Promissory notes	20	24,062	—
Contract liabilities		307,526	6,138
Accruals and other payables		5,223	3,430
Loan from a related party	21	43,617	—
Current tax payable		7,937	5,696
		<b>1,072,256</b>	<b>344,047</b>
Net current assets		<b>674,053</b>	<b>613,773</b>
Net assets		<b>677,529</b>	<b>617,432</b>
Capital and reserves			
Share capital	22	19,736	19,736
Reserves		616,959	597,696
		<b>636,695</b>	<b>617,432</b>
Non-controlling interests		<b>40,834</b>	<b>—</b>
Total equity		<b>677,529</b>	<b>617,432</b>

# Condensed Consolidated Financial Statements

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium account	Capital reserve	Foreign currency translation reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 1 January 2017 (audited)</b>	13,157	302,796	—	(5,005)	(108,716)	202,232	—	202,232	
Issue of new shares on rights issue (note 22)	6,579	387,435	—	—	—	394,014	—	394,014	
Total comprehensive income for the period	—	—	—	(238)	5,383	5,145	—	5,145	
<b>At 30 June 2017 (unaudited)</b>	19,736	690,231	—	(5,243)	(103,333)	601,391	—	601,391	
<b>At 1 January 2018 (audited)</b>	19,736	690,231	—	(5,168)	(87,367)	617,432	—	617,432	
Total comprehensive income for the period	—	—	—	145	16,453	16,598	1,339	17,937	
Capital contribution received from non-controlling interests	—	—	—	—	—	—	42,160	42,160	
Disposal of interests in subsidiaries without loss of control (note 24)	—	—	2,665	—	—	2,665	(2,665)	—	
<b>At 30 June 2018 (unaudited)</b>	19,736	690,231	2,665	(5,023)	(70,914)	636,695	40,834	677,529	



# Condensed Consolidated Financial Statements

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>Operating activities</b>			
Cash from/(used in) operations		322,635	(457,846)
Interest received		390	1
Overseas tax paid		(2,847)	(20)
<b>Net cash from/(used in) operating activities</b>		<b>320,178</b>	<b>(457,865)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	9	(523)	(3,525)
Placement of restricted bank deposit		—	(6,617)
Purchase of financial assets at fair value through profit or loss		(27,300)	—
<b>Net cash used in investing activities</b>		<b>(27,823)</b>	<b>(10,142)</b>
<b>Financing activities</b>			
Net proceeds from issue of new shares on rights issue		—	394,013
Net proceeds from issue of new shares of subsidiaries to non-controlling interests		42,160	—
Proceeds from loan from a related party		43,617	—
Proceeds from issue of promissory note		23,595	—
Proceeds from trust receipt loans		916,470	312,081
Repayment of trust receipt loans		(954,266)	(185,577)
Interest paid		(2,194)	(5,321)
<b>Net cash generated from financing activities</b>		<b>69,382</b>	<b>515,196</b>
<b>Net increase in cash and cash equivalents</b>		<b>361,737</b>	<b>47,189</b>
Cash and cash equivalents at beginning of the period		92,904	27,432
Effect of changes in foreign exchange rates		5,492	26
<b>Cash and cash equivalents at end of the period, represented by cash and bank balances</b>		<b>460,133</b>	<b>74,647</b>

# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30 June 2018*

### 1. Basis of Preparation

This unaudited condensed consolidated financial statements of Theme International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 31 August 2018.

The condensed consolidated financial statements should be read in conjunction with the 2017 annual financial statements and have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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

# Condensed Consolidated Financial Statements

## 1. Basis of Preparation (Continued)

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

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which have been measured at fair values, as appropriate.

## 2. Changes in Accounting Policies

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statement.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Clarifications
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

# Condensed Consolidated Financial Statements

## 2. Changes in Accounting Policies (Continued)

The application of the above new and revised HKFRSs in the current period has no material effect on the Group's financial performance and positions for the current period and prior years and/or on the disclosures set out in the condensed consolidated interim financial statements, except for the following:

### (i) HKFRS 9 – Financial Instruments

HKFRS 9 supersedes 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 applied the simplified approach and recorded 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, there was no significant impact to the condensed consolidated financial statements.

### (ii) HKFRS 15 – Revenue from Contracts with Customers

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, there is no material changes in respect of timing and amount of revenue previously recognised by the Group.

## Condensed Consolidated Financial Statements

### 2. Changes in Accounting Policies (Continued)

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

### 3. Fair Value Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

## Condensed Consolidated Financial Statements

### 3. Fair Value Measurement (Continued)

(a) Disclosures of level in fair value hierarchy at 30 June 2018:

Description	Fair value measurements as at 30 June 2018 using:			Total
	Level 1	Level 2	Level 3	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements:</b>				
Financial assets at fair value through profit or loss				
Unlisted investment fund in Singapore	—	—	27,965	27,965

Description	Fair value measurements as at 31 December 2017 using:			Total
	Level 1	Level 2	Level 3	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements:</b>				
Financial assets at fair value through profit or loss	—	—	—	—

During the period ended 30 June 2018, there was no transfer between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 December 2017: Nil). The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## Condensed Consolidated Financial Statements

### 3. Fair Value Measurement (Continued)

- (b) Reconciliation of assets measured at fair value based on level 3:

	Financial assets at fair value through profit or loss: Unlisted investment fund	
	30 June 2018 (unaudited) HK\$'000	30 June 2017 (unaudited) HK\$'000
At beginning of period	—	—
Purchases	27,300	—
Total gain recognised in profit or loss*	665	—
	<hr/>	<hr/>
At end of the reporting period	27,965	—
	<hr/>	<hr/>
* Include unrealised gain or loss for assets held at end of the reporting period	665	—
	<hr/>	<hr/>

- (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2018:

The Directors are responsible for the fair value measurements of assets and liabilities required for financial reporting purpose, including level 3 fair value measurements. The measurement is undertaken at least twice a year.

For level 3 fair value measurements, the key unobservable input currently applied by the Group is:

- risk-adjusted discount rate

## Condensed Consolidated Financial Statements

### 3. Fair Value Measurement (Continued)

#### Level 3 fair value measurements

Description	Valuation technique	Unobservable input	Range	Effect on fair value for increase of inputs	Fair value as at 30 June 2018 HK\$'000 (unaudited)	Fair value as at 31 December 2017 HK\$'000 (audited)
Unlisted investment fund classified at financial assets at fair value through profit or loss	Discounted cash flow	Risk-adjusted discount rate	10% (2017: n/a)	The estimated fair value would increase/ (decrease) if the risk-adjusted discount factor was lower/ (higher)	27,965	—



## Condensed Consolidated Financial Statements

### 4. Revenue and Segment Information

#### (a) Revenue

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Revenue from contracts with customers</b>		
Sales from trading of goods	1,387,494	2,854,094
Freight services	393,212	—
Commission fee income	528	—
Commission income and brokerage fees from the provision of financial services	5,038	—
Less: sales taxes and levies	(316)	—
	<u>1,785,956</u>	<u>2,854,094</u>
<b>Other Revenue</b>		
Gain from derivative trading	8,927	—
Interest income from loans to customers	—	323
	<u>8,927</u>	<u>323</u>
	<u>1,794,883</u>	<u>2,854,417</u>

#### (b) Segment information

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

## Condensed Consolidated Financial Statements

### 4. Revenue and Segment Information (Continued)

#### (b) Segment information (Continued)

During the period ended 30 June 2018, the Group's reportable and operating segments are as follows:

- 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
- Financial services business — provision of loan financing services, securities and derivatives financial services, market making and margin financing in Hong Kong and Singapore.

#### Segment information and results:

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

*For the six months ended 30 June 2018 (unaudited)*

	Distribution and trading HK\$'000	Financial services HK\$'000	Total HK\$'000
Revenue	1,781,234	13,965	1,795,199
Less: Sales taxes and levies	(316)	—	(316)
Reportable segment revenue	<u>1,780,918</u>	<u>13,965</u>	<u>1,794,883</u>
Segment profit/(loss)	<u>50,745</u>	<u>(4,096)</u>	46,649
Finance costs	<u>(2,194)</u>	<u>(467)</u>	(2,661)
Unallocated other income, gain and loss			(19,325)
Corporate expenses			<u>(1,780)</u>
Profit before taxation			<u>22,883</u>

## Condensed Consolidated Financial Statements

### 4. Revenue and Segment Information (Continued)

#### (b) Segment information (Continued)

##### Segment information and results: (Continued)

*For the six months ended 30 June 2017 (unaudited)*

	Distribution and trading HK\$'000	Financial services HK\$'000	Total HK\$'000
Revenue	2,854,094	323	2,854,417
Segment profit/(loss)	17,621	(2,889)	14,732
Finance costs	(5,321)	—	(5,321)
Unallocated other income, gain and loss			(202)
Corporate expenses			(2,212)
Profit before taxation			6,997

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.

## Condensed Consolidated Financial Statements

### 4. Revenue and Segment Information (Continued)

#### (b) Segment information (Continued)

##### Segment assets and liabilities:

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

##### *As at 30 June 2018 (unaudited)*

	Distribution and trading HK\$'000	Financial services HK\$'000	Total HK\$'000
Segment assets	<u>1,395,288</u>	<u>342,962</u>	<u>1,738,250</u>
Segment liabilities	<u>815,825</u>	<u>176,787</u>	<u>992,612</u>

##### *As at 31 December 2017 (audited)*

	Distribution and trading HK\$'000	Financial services HK\$'000	Total HK\$'000
Segment assets	<u>909,891</u>	<u>40,880</u>	<u>950,771</u>
Segment liabilities	<u>293,362</u>	<u>1,673</u>	<u>295,035</u>



## Condensed Consolidated Financial Statements

### 4. Revenue and Segment Information (Continued)

#### (b) Segment information (Continued)

##### Geographical information:

Disaggregation of revenue from contracts with customers:

Segments	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Distribution and trading	Financial services	Total	Distribution and trading	Financial services	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
<b>Geographical markets</b>						
Hong Kong	–	4,078	4,078	–	–	–
Singapore	1,454,327	960	1,455,287	2,854,094	–	2,854,094
The PRC	326,591	–	326,591	–	–	–
Revenue from contracts with customers	<u>1,780,918</u>	<u>5,038</u>	<u>1,785,956</u>	<u>2,854,094</u>	<u>–</u>	<u>2,854,094</u>
<b>Major products/service</b>						
Trading of bulk commodities	1,780,918	–	1,780,918	2,854,094	–	2,854,094
Commission income and brokerage fees	–	5,038	5,038	–	–	–
Total	<u>1,780,918</u>	<u>5,038</u>	<u>1,785,956</u>	<u>2,854,094</u>	<u>–</u>	<u>2,854,094</u>
<b>Timing of revenue recognition</b>						
At a point in time	<u>1,780,918</u>	<u>5,038</u>	<u>1,785,956</u>	<u>2,854,094</u>	<u>–</u>	<u>2,854,094</u>

# Condensed Consolidated Financial Statements

## 5. Profit before Taxation

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit before taxation has been arrived at after charging/(crediting):		
(a) Finance costs		
Bills discounting interest expenses and interest expenses on trust receipt loans	2,194	5,321
Interest expenses on promissory notes	467	—
	<u>2,661</u>	<u>5,321</u>
(b) Other items		
Interest income on bank deposits	(390)	(1)
Depreciation of property, plant and equipment	695	256
Loss on disposal of property, plant and equipment	—	2
Exchange loss/(gain), net	19,722	(203)
Operating lease rentals in respect of rented premises	1,820	1,473
Directors' remuneration (note a)	5,205	2,360
Consultancy fees	952	—
Other staff costs (note b)	<u>11,755</u>	<u>2,089</u>

Notes:

- (a) Directors' remuneration include fees, remunerations, bonuses and retirement benefits scheme contributions paid or payable to directors of the Company.
- (b) Other staff costs (excluding directors' remuneration) include salaries, bonuses, allowances and retirement benefits scheme contributions paid or payable to other employees of the Group.

## Condensed Consolidated Financial Statements

### 6. Income Tax

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	—	—
Current tax — PRC Corporate Income Tax		
Provision for the period	—	—
Current tax — Singapore Corporate Income Tax		
Provision for the period	5,036	1,655
Under/(over)-provision for prior year	55	(41)
	5,091	1,614

No Hong Kong Profits Tax was provided for the period ended 30 June 2018 and 2017 as the Company and its subsidiaries have no assessable profit arising from Hong Kong during the period.

The Corporate Income Tax in the PRC is 25% and no provision for PRC Corporate Income Tax was made in the period as the subsidiary has no assessable profit arising in the PRC.

Singapore Corporate Income Tax is provided using the Singapore standard rate of income tax of 17% or the concession rate of 10% for the period ended 30 June 2018. 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 period 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 period.

# Condensed Consolidated Financial Statements

## 7. Earnings per Share

### (a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company was based on the profit for the period attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the period, as adjusted to reflect the rights issue during the corresponding period as further detailed in note 22(i).

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Profit:</b>		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<b>16,453</b>	<b>5,383</b>
	<b>'000</b>	<b>'000</b>

### **Number of shares:**

Weighted average number of ordinary shares for the purpose of basic earnings per share (note)

<b>7,894,230</b>	<b>6,054,242</b>
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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 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 per share is presented in accordance with the requirements under HKAS 33.

### (b) Diluted earnings per share

There is no instrument with potential dilutive shares issued by the Company during the periods ended 30 June 2018 and 2017. Therefore the basic and diluted earnings per share for the respective periods are equal.



## Condensed Consolidated Financial Statements

### 8. Interim Dividend

No dividends were paid, declared or proposed during the periods ended 30 June 2018 and 2017. The directors do not recommend the payment of an interim dividend in respect of the period ended 30 June 2018 (2017: Nil).

### 9. Movements in Property, Plant and Equipment

During the six months period ended 30 June 2018, there was an addition of approximately HK\$523,000 to the Group's property, plant and equipment (six months period ended 30 June 2017: HK\$3,525,000). No property, plant and equipment were disposed during the six months period ended 30 June 2018 (six months period ended 30 June 2017: a net book value of approximately HK\$2,000 resulting in a loss on disposal of approximately HK\$2,000).

### 10. Inventories

	<b>30 June 2018 HK\$'000 (unaudited)</b>	31 December 2017 HK\$'000 (audited)
Finished goods	<u>441,450</u>	<u>1,325</u>

### 11. Loan to a Customer

	<b>30 June 2018 HK\$'000 (unaudited)</b>	31 December 2017 HK\$'000 (audited)
Loan to a customer	5,390	5,390
Provision for impairment	<u>(5,390)</u>	<u>(5,390)</u>
	<u>—</u>	<u>—</u>

## Condensed Consolidated Financial Statements

### 11. Loan to a Customer (Continued)

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

	<b>30 June 2018 HK\$'000 (unaudited)</b>	31 December 2017 HK\$'000 (audited)
At 1 January (audited)	<b>5,390</b>	—
Provision for impairment recognised during the period/year	<u>—</u>	<u>5,390</u>
At 30 June 2018 (unaudited)/31 December 2017 (audited)	<u><b>5,390</b></u>	<u>5,390</u>

The fixed-rate loan to a customer of HK\$5,390,000 (31 December 2017: 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 30 June 2018 and 31 December 2017, the loan was past 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.

## Condensed Consolidated Financial Statements

### 12. Trade and Bills Receivables and Interest Receivables

	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Trade and bills receivables	<b>508,640</b>	858,809
Interest receivables	<b>809</b>	809
Allowance for bad and doubtful debts	<b>(809)</b>	(809)
	<b>508,640</b>	858,809

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 or cash on delivery. The remaining sales are with average credit period of 5 to 90 days (31 December 2017: 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:

	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Not yet due or within 90 days	<b>339,233</b>	854,547
91-180 days	<b>169,407</b>	4,262
	<b>508,640</b>	858,809

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.

## Condensed Consolidated Financial Statements

### 12. 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 11 to the condensed 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 period and at the end of the reporting period.

### 13. Accounts Receivables

	<b>30 June 2018 HK\$'000 (unaudited)</b>	31 December 2017 HK\$'000 (audited)
Arising from the business of dealing in futures contracts:		
– Brokers and dealers		
– representing customer balances	<b>171,616</b>	780
– representing house balances	<b>16,662</b>	1,169
	<b>188,278</b>	1,949
Arising from financial services provided:		
– Customers	<b>556</b>	12
	<b>188,834</b>	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 judgment, including the creditworthiness, collateral and past collection history of the counter-parties.

## Condensed Consolidated Financial Statements

### 14. Financial Assets at Fair Value through Profit or Loss

	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Unlisted investment fund in Singapore	<u>27,965</u>	<u>—</u>

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income, gain and loss for the gain of approximately HK\$665,000 (30 June 2017: Nil).

### 15. Prepayments, Deposits and Other Receivables

	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Prepayments	58,523	918
Deposit and other receivables	4,231	1,575
Value added tax recoverable	56,205	—
	<u>118,959</u>	<u>2,493</u>

As at 30 June 2018 prepayments of HK\$57,510,000 (31 December 2017: Nil) were paid to major suppliers for the trading of commodities in the PRC.

## Condensed Consolidated Financial Statements

### 16. Cash and Bank Balances

	<b>30 June 2018 HK\$'000 (unaudited)</b>	31 December 2017 HK\$'000 (audited)
Cash at bank		
– General accounts	439,620	92,900
– Trust and segregated accounts	20,510	1
Cash in hand	<u>3</u>	<u>3</u>
	<b><u>460,133</u></b>	<b><u>92,904</u></b>

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.

### 17. Trade Payables

	<b>30 June 2018 HK\$'000 (unaudited)</b>	31 December 2017 HK\$'000 (audited)
Trade payables	<u>511,629</u>	<u>290,207</u>

## Condensed Consolidated Financial Statements

### 17. Trade Payables (Continued)

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

	<b>30 June 2018 HK\$'000 (unaudited)</b>	31 December 2017 HK\$'000 (audited)
Within 90 days	468,684	273,103
91-180 days	25,694	13,336
181-365 days	17,251	—
Over 1 year	—	3,768
	<u>511,629</u>	<u>290,207</u>

### 18. Trust Receipt Loans

	<b>30 June 2018 HK\$'000 (unaudited)</b>	31 December 2017 HK\$'000 (audited)
Trust receipt loans – secured	—	37,796

The maturity of trust receipt loans is as follows:

	<b>30 June 2018 HK\$'000 (unaudited)</b>	31 December 2017 HK\$'000 (audited)
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.

## Condensed Consolidated Financial Statements

### 18. Trust Receipt Loans (Continued)

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

	<b>30 June 2018 (unaudited)</b>	31 December 2017 (audited)
Trust receipt loans	<u>—</u>	<u>2.56%</u>

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

### 19. Accounts Payables

	<b>30 June 2018 HK\$'000 (unaudited)</b>	31 December 2017 HK\$'000 (audited)
Arising from the business of dealing in futures contracts	<u>172,262</u>	<u>780</u>

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.





## Condensed Consolidated Financial Statements

### 20. Promissory Notes

The movement on the promissory notes is as follows:

	<b>30 June 2018 HK\$'000 (unaudited)</b>	31 December 2017 HK\$'000 (audited)
<b>At beginning of period</b>	—	—
New issuance	<b>23,595</b>	—
Imputed interest expenses	<b>467</b>	—
	<hr/>	<hr/>
<b>At the end of reporting period</b>	<b>24,062</b>	—
	<hr/>	<hr/>

During the period, the Group issued several promissory notes at gross of US\$3,025,000 (equivalent to HK\$23,595,000) for increasing the liquidity of the Group. The interest shall be calculated at 9% per annum on the principal amount then outstanding on a daily basis which shall be due and payable together with payments of principal. The maturity dates of all these promissory notes are the earlier of (a) 6 months from issuance and (b) such earlier date as these promissory notes may be required to be paid. Neither the issuer nor the holder(s) of the promissory notes may modify, discharge or terminate without the prior written consent of the other party. The Group may repay all or part, at a redemption price equal to 100% of the principal amount of the notes redeemed plus the accrued and unpaid interest, if any, prior to the maturity date of the promissory notes.

### 21. Loan from a related party

The loan from 上海瑞冶聯實業有限公司, an entity connected to the ultimate shareholder of the Company is unsecured, non-interest bearing and repayable on demand.

# Condensed Consolidated Financial Statements

## 22. Share Capital

	Number of ordinary shares of HK\$0.0025 each	HK\$'000
Note	'000	
Authorised:		
At 1 January 2017, 31 December 2017 and 30 June 2018		
	200,000,000	500,000
Issued and fully paid:		
At 1 January 2017 (audited)		
	5,262,820	13,157
Issue of new shares on rights issue		
(i)	2,631,410	6,579
At 30 June 2017 (unaudited), 31 December 2017 (audited) and 30 June 2018 (unaudited)		
	7,894,230	19,736

Note:

- (i) During the period ended 30 June 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.

## Condensed Consolidated Financial Statements

### 23. Equity-settled share-based expense

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.

## Condensed Consolidated Financial Statements

### 23. Equity-settled share-based expense (Continued)

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.

No share option was granted, exercised, lapsed or cancelled under the 2009 Scheme during the periods ended 30 June 2018 and 2017. There were no share options outstanding as at 31 December 2016, 30 June 2017, 31 December 2017 and 30 June 2018.

Apart from the 2009 Scheme, during the periods ended 30 June 2018 and 30 June 2017, 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.



## Condensed Consolidated Financial Statements

### 24. Transactions with non-controlling interests

On 4 January 2018, the Company has entered into a shareholders agreement with four independent parties to establish an one stop platform for the provision of derivatives financial services to customers in Asia Pacific. According to the shareholders' agreement, the then wholly-owned subsidiary of the Group, BPI Financial Group Limited issued 99,999,999 new shares to subscribers to increase its issued share capital from 1 share of HK\$1 each to 100,000,000 shares where the Company and the four independent parties subscribed for 74,999,999 new shares and 25,000,000 new shares at an issuance price of HK\$1 each respectively. As a result of the new share placement, the Company's interest in BPI Financial Group Limited has decreased from 100% to 75% on 4 January 2018.

Having obtained approval from the Securities and Futures Commission of Hong Kong, the Company transferred its entire interest in Bright Point International Futures Limited, a company holding a licence granted by the Securities and Futures Commission to carry out type 2 (dealing in futures contracts) regulated activities under the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong to provide futures contract brokerage services, to BPI Financial Group Limited on 29 June 2018 at a consideration of HK\$50,000,000. As a result of the transfer, the Company's effective interest in Bright Point International Futures Limited has decreased from 100% to 75% and the transfer was deemed as a disposal of 25% interest in Bright Point International Futures Limited to the non-controlling shareholders of BPI Financial Group Limited.

	Six months ended 30 June 2018 HK\$'000 (unaudited)
Consideration received from non-controlling interests	25,000
Carrying amount of non-controlling interests increase	<u>22,335</u>
Gain on deemed disposal with equity	<u>2,665</u>

There were no transactions with non-controlling interests in the period ended 30 June 2017.

## Condensed Consolidated Financial Statements

### 25. Capital Commitments

On 25 May 2018, the Company entered into an agreement to share 49% of the issued share capital of a new incorporation in Singapore with a counter party for a cash consideration of US\$4,900,000 (equivalent to approximately HK\$38,220,000). The new incorporation will be engaged in trading of bulk commodities and investment business. The aforesaid amount is contracted but not provided for at the end of reporting period (At 31 December 2017: Nil).

### 26. Related Party Transactions

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Key management compensation</b>		
Salaries, allowances and other benefits in kind	2,222	2,008
Bonuses	2,737	—
Retirement benefits scheme contributions	66	52
	<u>5,025</u>	<u>2,060</u>

## Condensed Consolidated Financial Statements

### 26. Related Party Transactions (Continued)

#### Balances with related parties

	<b>30 June 2018 HK\$'000 (unaudited)</b>	31 December 2017 HK\$'000 (audited)
Accounts receivable from related party owned by the ultimate controlling shareholder of the Company	<b>198</b>	—
Accounts payable to related party owned by the ultimate controlling shareholder of the Company	<b>87,055</b>	—
Accounts payable to non-controlling shareholder of subsidiaries	<b>32,830</b>	—

As at 30 June 2018, the Group had accounts receivable from related parties and accounts payable due to related parties which was arising from the Group's ordinary course of commodities and futures broking and derivatives dealing. Accounts receivable/payable from/to related parties are set at the same terms as those normally offered to third party clients.

## Condensed Consolidated Financial Statements

### 26. Related Party Transactions (Continued)

#### Other transactions with related parties

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Brokerage and commission fee income from related party owned by the ultimate controlling shareholder of the Company	2,904	—
Brokerage and commission fee income from non-controlling shareholder of subsidiaries	<u>1,561</u>	<u>—</u>

Brokerage income and commission fee was received from related companies in the ordinary course of the Group's business of commodities and futures broking and derivatives dealing. It is inclusive of the brokerage and commission fees paid to the Group's service suppliers, which are the direct members of Singapore Stock Exchange, Nasdaq Futures, ICE Futures US, New York Mercantile Exchange and London Metal Exchange. Commission rates are set at the same level as those normally offered to third party clients.



## Management Discussion and Analysis

Theme International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) 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, market making and margin financing in Hong Kong and Singapore.

### Financial and Business Review

Revenue, profit for the period and basic earnings per share of the Group for the six months periods ended 30 June 2018 and 2017 are summarized as follows:

	Revenue		Profit for the period		Basic earnings per share	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018	2017
From operations	<u>1,794,883</u>	<u>2,854,417</u>	<u>17,792</u>	<u>5,383</u>	<u>HK0.21 cents</u>	<u>HK0.09 cents</u>

The Group recorded a total revenue of approximately HK\$1,794,883,000 (2017: approximately HK\$2,854,417,000) for the six months period ended 30 June 2018 (the “**Interim Period**”) representing a decrease of approximately 37.1% over the six months period ended 30 June 2017 (the “**Corresponding Period**”). Further analysis of the Group’s revenue in the Interim Period and Corresponding Period is as follows:

	Six months ended 30 June			
	2018		2017	
	Revenue HK\$'000	Sales Volume Tonnes ('000)	Revenue HK\$'000	Sales Volume Tonnes ('000)
<i>Product</i>				
Iron Ore	<u>1,780,918</u>	<u>4,072</u>	2,421,130	6,068
Deformed Steel Bar	<u>—</u>	<u>—</u>	<u>432,964</u>	122
Distribution and trading	<u>1,780,918</u>		2,854,094	
Financial services	<u>13,965</u>		<u>323</u>	
	<u>1,794,883</u>		<u>2,854,417</u>	

## Management Discussion and Analysis

The distribution and trading business contributed to the majority of the Group's revenue in the Interim Period. Volume of iron ore traded in the Interim Period decreased from approximately 6,068,000 tonnes in the Corresponding Period to approximately 4,072,000 tonnes in the Interim Period, together with the decrease in the average iron ore price, revenue from iron ore trading decreased from approximately HK\$2,421,130,000 in the Corresponding Period to approximately HK\$1,780,918,000 in the Interim Period.

At the same time, due to the poor trading performance in 2017, the Group did not have any trading of prime deformed steel bar in the Interim Period while the Group recorded a revenue of approximately HK\$432,964,000 and a trading volume of approximately 122,000 tonnes in the Corresponding Period.

During the Interim Period, the Group recorded revenues from the provision of financial services totaling HK\$13,965,000 (2017: HK\$323,000).

Gross profit margin of the Group increased to approximately 4.8% in the Interim Period from approximately 0.75% in the Corresponding Period. The increase in gross profit was primarily attributable to the rise in gross profit from the Group's distribution and trading segment in the Interim Period as a result of: (i) the Group was able to source iron ore from several new suppliers since the second half of 2017 which are able to provide the Group with iron ore at lower prices; and (ii) the opening of the Group's Shanghai trading desk in the PRC which location is closer to customers and the Group was able to sell iron ore at smaller lots with a higher premium. This also enabled the Group to store the inventory at China ports for a longer period of time, hence more flexibility in selling the inventory.

Other loss of approximately HK\$18,659,000 (2017: approximately HK\$205,000) was incurred during the Interim Period, mainly due to the exchange loss arising from the depreciation of Renminbi ("RMB"). Cargoes sold by Shanghai trading desk were denominated in RMB.

Selling and distribution expenses of approximately HK\$17,101,000 (2017: Nil) was incurred during the Interim Period, mainly attributable to the port charges and agent fees paid when importing cargoes into China.

## Management Discussion and Analysis

The administrative expenses have increased from approximately HK\$8,985,000 in the Corresponding Period to approximately HK\$24,324,000 in the Interim Period. The increase was mainly due to the expansion of the Group's trading operations in China, the 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.

Income tax expense increased from approximately HK\$1,614,000 in the Corresponding Period to approximately HK\$5,091,000 in the Interim Period, in line with the improved performance of the Group's distribution and trading business.

The profit for the Interim Period attributable to owners of the Company was approximately HK\$16,453,000, when compared with profit for the Interim Period attributable to owners of the Company totaling HK\$5,383,000 in the Corresponding Period, mainly attributable to the increase in the gross profits aforementioned, where were partially set off by the increase in other loss, selling and distribution expenses and administrative expenses.

The Group recorded a basic earning per share of approximately HK0.21 cents in the Interim Period as compared to a basic earning per share of approximately HK0.09 cents in the Corresponding Period.

### Future Prospects

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

## Management Discussion and Analysis

Target customers include individual and corporate customers in Hong Kong, with target loans denominated in Hong Kong dollars and for a period of 6 months to one year in general but could be extended by mutual agreement. 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.

## Management Discussion and Analysis

Its business lines comprise (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

In the first half of 2018, there was steady increase in steel prices, leading to higher profitability of steel mills in China. In order to maximise their production output, they demand for more higher quality iron ore imports from overseas. Moreover, the property sector in the PRC is growing and the demand for construction 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 the second half of 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.

### Events after the period

There are no material subsequent events undertaken by the Company or the Group after 30 June 2018.

### Charges On Assets

As at 30 June 2018, none of the Group's asset was charged or subject to encumbrance.

### Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

### Material Acquisitions and Disposals

Apart from disclosed in note 24 to the condensed consolidated financial statements, there is no material acquisition or disposal of subsidiaries, associates and joint ventures during the period ended 30 June 2018.

# Management Discussion and Analysis

## Share Capital

Details of movements in the share capital of the Company during the period ended 30 June 2018 are set out in note 22 to the condensed consolidated financial statements.

## Equity Linked Agreements

Other than the share-based compensation as disclosed in note 23 to the condensed consolidated financial statements, no equity linked agreements were entered into by the Company during the period ended 30 June 2018 or subsisted at the end of the period.

## Reserves

Details of the movements in reserves of the Group during the period are set out in the condensed consolidated statement of changes in equity on page 7 of this report.

## Principal Risks And Uncertainties

### Commodities price risk

The Group's revenue and profit for the period 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\$") and Renminbi ("RMB"). Foreign currency exposure to US\$ is minimal, as the Hong Kong Dollars ("HK\$") is pegged to the US\$. The Group is exposed to fluctuation of transactions denominated in RMB. The Group monitors its exposure to foreign currency exchange risk on an ongoing basis.

### 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.

## Management Discussion and Analysis

### 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

The Group's net current assets has improved to approximately HK\$674,053,000 (31 December 2017: approximately HK\$613,773,000), and net assets to approximately HK\$677,529,000 (31 December 2017: approximately HK\$617,432,000) respectively as at 30 June 2018. As at 30 June 2018, there was a total loans and other borrowings of approximately HK\$67,679,000 outstanding (31 December 2017: approximately HK\$37,796,000).

As at 30 June 2018, the current ratio (as defined as current assets divided by current liabilities) was approximately 1.63 (31 December 2017: approximately 2.78) and the gearing ratio (as defined as loans and other borrowings divided by net assets) was approximately 0.10 (31 December 2017: 0.06).

## Management Discussion and Analysis

As at 30 June 2018, the Group had an undrawn banking letter of credit limit totalling US\$355,409,000, equivalent to approximately HK\$2,772,190,200 (31 December 2017: US\$362,250,000, equivalent to approximately HK\$2,825,552,000).

### Capital Expenditure/Commitments

The total capital expenditure of the Group for the Interim Period was approximately HK\$523,000 (2017: HK\$1,342,000) for addition of furniture, fixtures and other equipment. There was no addition of leasehold improvement for the Interim Period (2017: HK\$2,183,000).

Apart from disclosed in note 25 to the condensed consolidated financial statements, the Group had no material capital commitments as at 30 June 2018.

### Future Plan for Material Investments or Capital Assets

As at 30 June 2018, the Group does not have any other plan for material investments or capital assets.

### Human Resources

As at 30 June 2018, the Group had 10 employees in Hong Kong, 22 employees in Singapore and 16 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.

By Order of the Board

**Kang Jian**

*Executive Director & Vice Chairman*

Hong Kong, 31 August 2018



## Other Information

### Compliance with Corporate Governance Code

Save and except for Code Provisions E.1.2 and A.2.1 as detailed below, the Company has complied with all the Code Provisions and to a certain extent of the recommended best practices set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the period for the six months ended 30 June 2018.

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 June 2018.

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 to fill the casual vacancy of the positions of CEO and Chairman. Given the then 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. Mr. Ng Chi Lung has resigned from the positions of executive director and vice chairman of the Company on 31 July 2018 and the Company has appointed Mr. Kang Jian as vice chairman and CEO of the Company on 8 August 2018 and on 17 August 2018.

The Board believes that Mr. Ng Chi Lung and Mr. Kang Jian are 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 a suitable candidate is appointed as Chairman.

## Other Information

### Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. The Company has made specific enquiries with all directors of the Company and each of them confirmed that they have complied with the Model Code during the six months period ended 30 June 2018.

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

During the six months period ended 30 June 2018, the Company has not redeemed any of its securities. Neither the Company nor any of its subsidiaries has purchased nor sold any of the Company’s securities during the six months period ended 30 June 2018.

### Audit Committee

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed the internal controls and financial reporting matters, including review of the unaudited interim financial results of the Group for the six months ended 30 June 2018.

### Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2018, none of the Directors and the chief executives of the Company or any of their spouses or children under eighteen years of age had 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 (“**SFO**”)) which are required: (a) to be notified to the Company and 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.

## Other Information

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

As at 30 June 2018, so far as known to the Directors or the chief executives of the Company, the following person was the shareholder (other than the Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures 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 who was 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 was recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange.

Name 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 (note 1)	Beneficial Owner	2,560,000	0.03%
	Interests of a controlled corporation	4,586,701,650 (note 1)	58.10%

Notes:

- 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. Subsequent to period end, in July 2018, Mr. You Zhenhua has purchased the remaining 35% interest in Wide Bridge Limited and his interests in Wide Bridge Limited was increased from 65% to 100%.
- Based on the number of 7,894,229,754 shares of the Company in issue as at 30 June 2018.

Save as disclosed above, the Company has not been notified of any other persons who had interests or short positions in the shares, underlying shares and debentures 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 who were recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 June 2018.

## Other Information

### Director's Rights To Acquire Securities

Save as disclosed in the section headed "Share Option Scheme" below, at no time during the period was the Company or the Company's subsidiaries or holding company or a subsidiary of the Company's holding company a party to 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.

### Share Option Scheme

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

No share options were granted during the period ended 30 June 2018 and 2017 under the 2009 Scheme. There were no outstanding share options as at 30 June 2018.

### Changes to Information in Respect of Directors Pursuant to Rule 13.51B(1) of the Listing Rules

In the six months ended 30 June 2018 and up to the date of this report, pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the directors are as follows:

- Mr. Wu Shiming resigned as an independent non-executive director of China Gem Holdings Limited (stock code: 1191) with effect from 30 May 2018 and was appointed as an independent non-executive director of Miko International Holdings Limited (stock code: 1247) with effect from 16 July 2018;
- Mr. Chan Chi Ming, Tony was re-designated from non-executive director to executive director of Hua Xia Healthcare Holdings Limited (stock code: 8143) with effect from 23 July 2018 and retired as an executive director of Wan Kei Group Holdings Limited (stock code: 1718) with effect from 31 July 2018;

## Other Information

- Mr. Ng Chi Lung was appointed as the executive director and authorised representative of Hua Xia Healthcare Holdings Limited on 23 July 2018;
- Mr. Ng Chi Lung resigned as the vice chairman and executive director of the Company with effect from 31 July 2018;
- Mr. Ng Chi Lung and Mr. Wong Hok Bun Mario were replaced by Ms. Chen Jing and Mr. Wu Lei as the authorised representatives of the Company with effect from 31 July 2018;
- Mr. Kang Jian was appointed as the vice chairman and executive director of the Company with effect from 8 August 2018 and as chief executive officer of the Company with effect from 17 August 2018;
- Mr. Hu Yong was appointed as the executive director of the Company with effect from 8 August 2018;
- Mr. Chan Wah resigned as the independent non-executive director, members of the audit committee, remuneration committee and nomination committee of the Company with effect from 8 August 2018;
- Mr. Liu Song was appointed as the independent non-executive director, members of the audit committee, remuneration committee and nomination committee of the Company with effect from 8 August 2018;
- Mr. Wong Hok Bun Mario resigned as the executive director, chief financial officer and company secretary of the Company with effect from 12 August 2018;
- Mr. Wu Lei was appointed as chief financial officer of the Company with effect from 17 August 2018.

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