Theme International Holdings Limited

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

Annual Report

2018

Contents

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. Ho Yui Pang *(CPA, ACS)*

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

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
Shanghai Pudong Development Bank Company 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 2018 (the "**Year**"), the Group's profit attributable to owners of the Company was approximately Hong Kong dollars ("**HK$**") 61,893,000, as compared to the profit attributable to owners of the Company of approximately HK$21,349,000 for the year ended 31 December 2017 (the "**Corresponding Year**").

The Group's increase in profit for the year was mainly due to the excellent 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$92,056,000 in the Year, representing an increase of approximately 57.2%, as compared to approximately HK$58,560,000 in the Corresponding Year.

Gross profit margin of the Group increased to approximately 4.4% in the Year from approximately 1.3% in the Corresponding Year. Gross profit in the Year was mainly contributed by the distribution and trading segment. The increase in gross profit was primarily attributable to the rise in gross profit from the Group's distribution and trading segment in the Year as a result of: (i) the Group has established excellent track record in the past few years, hence was able to onboard several new suppliers in the Year. These suppliers offered the Group with iron ore at competitive prices; and (ii) the full operation of the Group's Shanghai trading desk in the PRC, with a closer location to customers and this enabled the Group to sell iron ore at smaller lots with higher premiums. The Group was also able to store the inventory at China ports for a longer period of time, hence more flexibility in selling the inventory.

The PRC is the largest iron ore importer in the world. According to the PRC custom statistic, it has imported 1,064 million tonnes of iron ore in 2018, surpassing 1,000 million tonnes for the third consecutive year. With the domestic iron ore reserves being low in grade and high in impurity, to fulfil the huge demand for 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 large volume of iron ore imports into the PRC.

Vice Chairman's Statement

The Group continuously explores new business opportunities that can deliver synergistic advantages to its physical commodities trading operations. Since the end of 2017, the Group successfully operationalised its commodity derivative 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, and the market making of iron ore derivative market. In 2018, the financial services segment of our Group has recorded a segment profit before interest and tax of approximately HK$2,336,000 in the Year, as compared to loss of HK$17,447,000 in the Corresponding Year. It is expected that the financial performance will continue to improve in 2019 and we are optimistic of its future development.

As both distribution and trading and financial services are people-oriented businesses, the Group continued to invest heavily in human capital. The Group's headcount has increased from 34 as at 31 December 2017 to 49 as at 31 December 2018 and they are located across Hong Kong, Singapore and the PRC. The Group believes that best people can bring value to the Group and thus we 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.

Kang Jian
Executive Director and Vice Chairman

Hong Kong, 22 March 2019

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, market making and margin financing in Hong Kong and Singapore.

Financial and Business Review

Revenue, profit for the year and basic earnings per share of the Group for the year ended 31 December 2018 and 2017 are summarized as follows:

	Revenue		Profit for the year		Basic earnings per share	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*		
From operations	**4,330,171**	5,389,307	**67,137**	21,349	**HK0.78 cents**	HK0.31 cents

The Group recorded a total revenue of approximately HK$4,330,171,000 (2017: approximately HK$5,389,307,000) for the Year, representing a decrease of approximately 19.7% over the Corresponding Year. Further analysis of the Group's revenue in the Year and the Corresponding Year is as follows:

	2018		2017	
	Revenue	**Sales Volume**	Revenue	Sales Volume
	HK$'000	***Tonnes ('000)***	*HK$'000*	*Tonnes ('000)*
Product				
Iron Ore	**4,271,693**	**8,173**	4,933,586	12,403
Deformed Steel Bar	**–**	**–**	455,329	127
Distribution and trading	**4,271,693**		5,388,915	
Financial Services	**58,478**		392	
	4,330,171		5,389,307	

Management Discussion and Analysis

The distribution and trading business contributed to the majority of the Group's revenue in the Year. The volume of iron ore traded in the Year decreased from approximately 12,403,000 tonnes in the Corresponding Year to approximately 8,173,000 tonnes in the Year. Together with the decrease in the average iron ore price index, revenue from iron ore trading decreased from approximately HK$4,933,586,000 in the Corresponding Year to approximately HK$4,271,693,000 in the Year.

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 Year while the Group recorded revenue of approximately HK$455,329,000 and trading volume of approximately 127,000 tonnes of deformed steel bar in the Corresponding Year.

During the Year, the Group recorded revenue from the provision of financial services totaling HK$58,478,000 (2017: HK$392,000), mainly attributable to the market making of iron ore derivative market and other financial services such as clearing and inter-dealer broking services.

Gross profit margin of the Group increased to approximately 4.4% in the Year from approximately 1.3% in the Corresponding Year. Gross profit in the Year was mainly contributed by the distribution and trading segment. The increase in gross profit was primarily attributable to the rise in gross profit from the Group's distribution and trading segment in the Year as a result of: (i) the Group has established excellent track record in the past few years, hence was able to onboard several new suppliers in the Year. These suppliers offered the Group with iron ore at competitive prices; and (ii) the full operation of the Group's Shanghai trading desk in the PRC, with a closer location to customers and this enabled the Group to sell iron ore at smaller lots with higher premiums. The Group was also able 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$22,995,000 (2017: approximately HK$6,281,000) was recorded during the Year, 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$20,204,000 (2017: approximately HK$592,000) were incurred during the Year, mainly attributable to more freight charges being paid to shipping companies for cargoes under the term of Free on Board ("**FOB**") in the Year than in the Corresponding Year.

Administrative expenses have increased from approximately HK$25,691,000 in the Corresponding Year to approximately HK$58,242,000 in the Year. It was mainly attributable to the increase in staff cost, arising from the full trading operations in China and the expansion of the Group's financial service segment.

Finance costs of approximately HK$4,774,000 (2017: approximately HK$8,319,000) was incurred during the Year, mainly arose from the discounting of banks' bill of exchange and the settlement of interests arising from outstanding trust receipt loans and the interest expenses on promissory notes. Trading volume in the Year has decreased considerably from the Corresponding Year, hence less trust receipt loans were borrowed from the banks, resulting in a decrease in finance costs.

Income tax expense increased from approximately HK$5,655,000 in the Corresponding Year to approximately HK$16,997,000 in the Year, which was in line with the improved performance of the Group's businesses.

The profit for the Year attributable to owners of the Company increased from approximately HK$21,349,000 in the Corresponding Year to approximately HK$61,893,000 in the Year. The increase in profit was mainly attributable to the increase in the gross profits aforementioned, which was partially set off by the increases in other loss, selling and distribution expenses and administrative expenses.

The Group recorded basic earnings per share of approximately HK0.78 cents in the Year as compared to basic earnings per share of approximately HK0.31 cents in the Corresponding Year.

Future Prospects

The Group will focus on the continuing development of the financial services business and the distribution and trading business in 2019.

(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. The loans are usually secured by collaterals or backed by guarantee.

Management Discussion and Analysis

– **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 (1) global clearing services, (2) inter-dealer broking in over-the-counter markets, (3) structured trade finance, (4) China access products and (5) market making in iron ore derivative market. The Group's aspiration is to extend its five 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 past two years, the PRC government has placed more emphasis on the structural reform of the supply side of the steel industry, to increase the quality and efficiency of the supply system. This led to higher profitability of the steel mills in China. In order to maximise their production output, they demanded for more higher quality iron ore imports from overseas. In addition, the property sector in the PRC is growing and the demand for construction materials has been increasing continuously in the PRC.

According to the PRC custom statistics, imports of iron ore reached 1,064 million tonnes in 2018, surpassing 1,000 million tonnes for the third consecutive year. The Group believes that there will still be strong demand for iron ore in 2019 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.

Significant Events

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.

Management Discussion and Analysis

Events after the Reporting Period

On 22 February 2019, the Company entered into the service agreement with E&F Resources Pte Limited ("**E&F Resources**"), pursuant to which the Company shall, through its subsidiaries, provide the execution and clearing services for derivative products and the inter-dealer brokerage services to E&F Resources.

E&F Resources is a 30%-controlled company held indirectly by Mr. Gao Feng, who is a director of a subsidiary of the Company. Therefore, E&F Resources is a connected person of the Company at the subsidiary level. As such, the transaction contemplated by the Service Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Group proposes that the annual caps for the revenue generated from the provision of the services to E&F Resources and its close associates for each of the three financial years ending 31 December 2021 are to be HK$25,000,000, HK$35,000,000 and HK$45,000,000, respectively. For details, please refer to the announcement of the Company dated 22 February 2019.

Saved as disclosed above, the Directors are not aware of any significant events requiring disclosure that has taken place subsequent to 31 December 2018 and up to the date of this annual report.

Charges on Assets

As at 31 December 2018, none of the Group's assets was charged or subject to encumbrance.

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

Material Acquisitions and Disposals

Saved as disclosed in note 31 to the consolidated financial statements, there is no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2018.

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.

Management Discussion and Analysis

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.

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.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2018, the Group's net current assets were approximately HK$682,559,000 (2017: approximately HK$613,773,000), and its net assets were approximately HK$725,162,000 (2017: approximately HK$617,432,000). As at 31 December 2018, the Group's total loans and other borrowings were approximately HK$225,670,000 (2017: HK$37,796,000).

As at 31 December 2018, the current ratio (as defined as current assets divided by current liabilities) was approximately 1.63 (2017: approximately 2.78) and the gearing ratio (as defined as loans and other borrowings divided by net assets) was approximately 0.31 (2017: 0.06).

As at 31 December 2018, the Group had an undrawn banking letter of credit limit totalling approximately US$268,453,000, equivalent to approximately HK$2,093,933,000 (2017: US$362,250,000, equivalent to approximately HK$2,825,552,000).

Capital Expenditure

The total capital expenditure of the Group for the Year was approximately HK$Nil (2017: approximately HK$2,183,000) for addition of leasehold improvements and approximately HK$680,000 (2017: approximately HK$1,803,000) for addition of furniture, fixtures and other equipment.

As at 31 December 2018, 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 2018, the Group does not have any other plans for material investments or capital assets.

Human Resources

As at 31 December 2018, the Group had 49 employees in total, consisting of 9 employees in Hong Kong, 26 employees in Singapore and 14 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.

Capital Structure and Equity Fund Raising

As at 31 December 2018, the Group had equity attributable to owners of the Company of approximately HK$680,423,000 (2017: approximately HK$617,432,000). During the year ended 31 December 2018 and up to the date of this annual report, the Company did not carry out any equity fund raising activities.

Directors' Report

The Board submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2018.

Principal Activities and Business Review

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

Particulars of the activities of the Company's principal subsidiaries during the year are set out in note 36 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 14 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 2018 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 55 to 115.

Segment Information

The analysis of the Group's revenue and the contribution to results by principal activities for the year ended 31 December 2018 is set out in note 7 to the consolidated financial statements.

Dividends

The Board does not recommend the payment of a dividend for the year ended 31 December 2018 (2017: Nil).

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 28 to the consolidated financial statements.

Equity Linked Agreements

Other than the share-based compensation as disclosed in note 29 to the consolidated financial statements, no equity linked agreements were entered into by the Company during the year ended 31 December 2018 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 ended 31 December 2018, are set out in note 30 to the consolidated financial statements and in the consolidated statement of changes in equity on page 57 of this Annual Report, respectively.

Distributable Reserves

The Company has no reserves, comprising share premium and accumulated losses, which are available for distribution to shareholders as at 31 December 2018 (2017: 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 (2017: approximately HK$690,231,000) 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 15 to the consolidated financial statements.

Donations

During the year ended 31 December 2018, the Group did not make any charitable donations (2017: Nil).

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 116. 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 2018.

Directors

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

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)*

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. Wu Lei, Ms. Chen Jing and Mr. Chan Chi Ming, Tony 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 Mr. Kang Jian, Mr. Hu Yong and Mr. Liu Song 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' Report

Directors' Emoluments

Particulars as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 12 to the consolidated financial statements.

Biographical Details of Directors and Senior Management

Biographical details of the directors and senior management of the Company are set out on pages 28 to 29 of this Annual Report.

Directors' Service Contracts

Mr. Kang Jian, Mr. Wu Lei, Ms. Chen Jing, Ms. Wu Aiping and Mr. Hu Yong are executive directors of the Company. They 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. Liu Song are independent non-executive directors of the Company. Mr. Chan Chi Ming, Tony and Mr. Wu Shiming were appointed for a one-year term expiring on 21 May 2019 and their appointment letters shall be valid unless terminated by at least three months' written notice served by either party at any time during the then existing term. Mr. Liu Song was appointed for a three-year term expiring on 7 August 2021 and his appointment letter shall be valid unless terminated by at least one month's written notice served by either party at any time during the then existing term.

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.

No option was granted in the years ended 31 December 2017 and 2018.

In the year ended 31 December 2018, 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.

Directors' Report

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 information of Directors of the Company are set out below:

Name of Directors	Information of changes
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	— resigned as executive director of Good Fellow Healthcare Holdings Limited (previously known as Hua Xia Healthcare Holdings Limited) (stock code: 8143) with effect from 22 January 2019 and retired as an executive director of Wan Kei Group Holdings Limited (stock code: 1718) with effect from 31 July 2018.
	— appointed as an independent non-executive director of Dominate Group Holdings Company Limited (stock code: 8537) with effect from 26 September 2018.
Mr. Ng Chi Lung	— appointed as the executive director and authorised representative of Hua Xia Healthcare Holdings Limited on 23 July 2018.
	— 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	— 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	— 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	— 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	— 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	— appointed as chief financial officer of the Company with effect from 17 August 2018.

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 2018, 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 2018, 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 (Note 1)	Beneficial Owner	2,560,000		0.03%
	Interest of a controlled corporation	4,590,761,650	(note 1)	58.15%

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. 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%.

2. Based on the number of 7,894,229,754 shares of the Company in issue as at 31 December 2018.

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 2018.

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 2018, 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 year ended 31 December 2018 is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	16.0%	
Five largest customers in aggregate	44.7%	
The largest supplier		18.5%
Five largest suppliers in aggregate		59.7%

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

During the year ended 31 December 2018, the Group had the following connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules. Such transactions were also disclosed in the related party transactions as disclosed in note 35 to the consolidated financial statements in this annual report.

Continuing connected transactions-service agreement entered into between the Company and Prosperity Steel United Singapore Pte Ltd ("PSU")

Pursuant to the announcement of the Company dated 7 September 2018, a service agreement (the "**Service Agreement**") was entered into between the Company and PSU, pursuant to which the Company can provide services to PSU (where applicable, including its close associates (as defined in the Listing Rules)), including the execution and clearing services for derivative products and the inter-dealer brokerage services. The period of the Service Agreement started from the date of the Service Agreement to 31 December 2020 (both dates inclusive), which can be terminated by either party with 7 days' prior written notice.

PSU is wholly-owned by Mr. You Zhenhua, a controlling shareholder of the Company, and therefore is a connected person of the Company. As such, the transaction contemplated by the Service Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Fees and commissions

The clearing fee and commission to be charged for the services shall be at rates no more favourable than offered to other clients of the Group who are independent third parties for the provision of similar services and in accordance with the pricing policy of the Group from time to time.

Annual caps

The maximum amount of revenue generated from the provision of the services to PSU (including any revenue generated from the provision of the services to PSU prior to the date of the Service Agreement) for each of the three years ending 31 December 2020 pursuant to the Service Agreement shall not exceed the annual caps set out below:

	For the year ended/ ending 31 December		
	2018	2019	2020
	HK$'000	HK$'000	HK$'000
Revenue	9,000	25,000	35,000

Basis for determining the revenue annual caps

In determining the revenue annual caps, the Directors have taken into consideration of (i) the historical revenue generated from the provision of the Services to PSU since December 2017 and (ii) the expected business expansions and increase in service provision by the Company to its clients including PSU.

Reasons for entering the service agreement

The management team of the Company has maintained good commercial relationship with PSU for the past 10 years and therefore is very familiar with the trading requirements and styles of PSU. As such, the Company is able to provide the necessary support as and when required by PSU. The Company started to provide the Services to PSU in December 2017.

The inclusion of PSU in the Company's clientele enables the Company to enhance its credibility in its early stage of business expansion in the market of clearing and inter-dealer brokerage services. PSU is one of the largest iron ore traders in the world and is also very active in trading other commodities including coal and nickel ore. PSU has huge demand for trading of related derivative products in the financial market to hedge its physical positions. The inclusion of such a large prominent trading house in the Company's clientele gives confidence to other trading participants in the market place to engage similar business activities with the Company, which will help the Company to establish its foothold and market share in the very competitive market.

Directors' Report

Confirmations from independent non-executive Directors and reports from auditors

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that the transactions have been entered into (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or better; and (3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company has engaged its auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 ("**Revised**") "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their letter containing their findings and conclusions in respect of such continuing connected transactions set out above in accordance with the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

For the purpose of rule 14A.56 of the Listing Rules, the auditor of the Company has provided a letter to the Board confirming that in respect of the abovementioned continuing connected transactions covered in the Service Agreement ("**Disclosed Continuing Connected Transactions**"):

(a) nothing has come to the auditor's attention to believe that the Disclosed Continuing Connected Transactions have not been approved by the Company's board of directors.

(b) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(c) nothing has come to the auditor's attention to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions.

(d) with respect to the aggregate approximate amount of HK$8,419,000 brokerage and commission fee income earned from Prosperity Steel United Singapore Pte Ltd for the year ended 31 December 2018, nothing has come to the auditor's attention to believe that the Disclosed Continuing Connected Transactions have exceeded the annual cap as set by the Company disclosed in the Company's announcement date 7 September 2018 in respect of the New Continuing Connected Transactions.

Apart from that, as disclosed in the related party transactions in note 35 to the consolidated financial statements, during the year ended 31 December 2018, the Company and its subsidiaries had the following transactions, which didn't constitute connected transactions pursuant to the Listing Rules.

During the year ended 31 December 2018, the Company and its subsidiaries had sales of trading commodities to an associate totaling HK$528,289,000 and purchase of trading commodities from an associate totaling HK$559,388,000. Such transactions didn't constitute connected transactions pursuant to the Listing Rules, because such an associate of the Company was not classified as a connected person under the Listing Rule.

Also, during the year ended 31 December 2018, the Company and its subsidiaries received brokerage and commission fee income from non-controlling shareholder of subsidiaries totaling HK$4,600,000. Such transactions didn't constitute connected transactions pursuant to the Listing Rules, since such non-controlling shareholder of subsidiaries was 30% held by a director of an insignificant subsidiary of the Company during the year ended 31 December 2018.

Save as disclosed above, the Group had no other transactions which were required to be disclosed as connected transactions pursuant to the Listing Rules. The Directors confirm that the Company has, where applicable, complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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.

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 30 to 41 of this Annual Report.

Dividend Policy

The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company aims to create long-term, sustainable and stable returns for the Company's shareholders. According to the Dividend Policy, when determining and recommending any dividend payout ratio, the Board will take into account the Company's financial results, future prospects and other factors and it is subject to:

- the Bye-laws of the Company;
- the applicable restrictions and requirements under the laws of Bermuda;
- any banking or other funding covenants by which the Company is bound from time to time;
- the investment and operating requirements of the Company; and
- any other factors that have material impact on the Company.

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 Friday, 28 June 2019. 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 2018 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.

ON BEHALF OF THE BOARD

Kang Jian
Executive Director and Vice Chairman

Hong Kong, 22 March 2019

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Kang Jian ("Mr. Kang"), aged 33, was appointed as executive director of the Company on 8 August 2018. He is also a director of subsidiaries of the Company. Mr. Kang obtained both his master and bachelor degrees in law from Renmin University of China. Mr. Kang has over 7 years of experience in risk management and corporate credit approval in Bank of China Limited. Prior to joining the Group, Mr. Kang was the vice president and fund manager of a private equity fund in PRC since April 2017, where he gained ample experience in commodity and derivative trading.

Mr. Wu Lei ("Mr. Wu"), aged 31, was appointed as executive director of the Company on 1 October 2016. He is also a director of subsidiaries of the Company. Mr. Wu Lei held a Bachelor of Business Administration (Accountancy) with Honours from The National University of Singapore and has more than 7 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.

Ms. Chen Jing ("Ms. Chen"), aged 39, 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. She is also a director of subsidiaries of the Company. Ms. Chen 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 has over 10 years of experience in the trading of metallurgical bulk commodities, seaborne logistics operations and risk management.

Ms. Wu Aiping ("Ms. Wu"), aged 43, 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. Hu Yong ("Mr. Hu"), aged 40, was appointed as executive director of the Company on 8 August 2018. Mr. Hu holds a bachelor degree in convention management from Henan Normal University in the PRC. Mr. Hu has over 14 years of experience in trading of physical rebar, metalloid, iron ore and coal. Prior to joining the Group, he was the general manager of the coal trading department in a large trading house in China.

Independent Non-executive Directors

Mr. Chan Chi Ming, Tony ('Mr. Chan"), aged 51, 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 graduated from Australian National University, with a Bachelor Degree in Commerce (Major in Accounting). Mr. Chan is a member of the Hong

Biographical Details of Directors and Senior Management

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 was formerly a senior manager of an international accounting firm. He is currently an independent non-executive director of Dominate Group Holdings Company Limited (stock code: 8537), whose shares are listed on GEM of the Stock Exchange. During the periods from November 2016 to July 2018 and from July 2018 to January 2019, Mr. Chan was a non-executive director and then re-designated as an executive director of Good Fellow Heatlhcare Holdings Limited (previously known as Hua Xia Healthcare Holdings Limited) (stock code: 8143), whose shares are listed on GEM of the Stock Exchange. During the period from November 2016 to July 2018, he was the executive director of Wan Kei Group Holdings Limited (stock code: 1718), whose shares are listed on the Main Board of the Stock Exchange. Also, during the period from September 2007 to May 2017, he 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 43, 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. He is currently an independent non-executive director of China Putian Food Holding Limited (stock code: 1699) and an independent non-executive director of Miko International Holdings Limited (stock code: 1247). He was an independent non-executive director of China Gem Holdings Limited (previously known as Yueshou Environmental Holdings Limited, stock code: 1191) from July 2014 to May 2018. Also, he was an executive director of Leyou Technologies Holdings Limited (stock code: 1089) from October 2010 to September 2017 and was an independent non-executive director of Pak Tak International Limited (stock code: 2668) from September 2014 to August 2016. All of these shares are listed on the Main Board of the Stock Exchange.

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. Liu Song ("Mr. Liu"), aged 46, was appointed as independent non-executive director of the Company on 8 August 2018 and is currently a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Liu obtained his bachelor degree in transport and communications management engineering from the Shanghai Maritime University. Mr. Liu has over 23 years of experience in marine transportation management. Prior to joining the Group, Mr. Liu held different senior management positions in various companies in PRC engaged in the marine transportation.

Senior Management

Mr. Ho Yui Pang ("Mr. Ho"), aged 33, was appointed as company secretary of the Company with effect from 7 September 2018. Mr. Ho has over ten years of auditing, accounting and company secretarial experiences in international reputable accounting firms and listed companies. Mr. Ho worked in several international accounting firms for approximately 5 years. Since then, he worked in several listed companies where he served in various positions including accounting manager, finance director and company secretary.

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. 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 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 (until his cessation on 31 July 2018) and Mr. Kang Jian 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 (until his cessation on 31 July 2018) and Mr. Kang Jian 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 (until his cessation on 31 July 2018) 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.

(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 2018.

(C) Board Composition and Board Practices

The composition of the Board is shown on page 2 of this Annual Report. The Board currently comprises eight directors, including five 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.

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 and Senior Management".

In 2018, the Board held 9 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 32 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 9, 2, 2 and 2 meetings, respectively in 2018.

The attendance at the Board and respective Board Committees Meetings and Annual General Meeting held in 2018 are as follows:

Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors:					
Mr. Kang Jian *(Vice Chairman & Chief Executive Officer) (appointed on 8 August 2018)*	2/2	N/A	N/A	N/A	N/A
Mr. Wu Lei *(Chief Financial Officer)*	9/9	N/A	N/A	N/A	1/1
Ms. Chen Jing	9/9	N/A	N/A	N/A	1/1
Ms. Wu Aiping	8/9	N/A	N/A	N/A	1/1
Mr. Hu Yong *(appointed on 8 August 2018)*	2/2	N/A	N/A	N/A	N/A
Mr. Ng Chi Lung *(Vice Chairman) (resigned on 31 July 2018)*	6/6	N/A	N/A	N/A	1/1
Mr. Cao Zhuoqun *(resigned on 8 August 2018)*	6/7	N/A	N/A	N/A	1/1
Mr. Wong Hok Bun Mario *(resigned on 12 August 2018)*	7/7	N/A	N/A	N/A	1/1
Independent Non-Executive Directors:					
Mr. Chan Chi Ming, Tony	9/9	2/2	2/2	2/2	1/1
Mr. Wu Shiming	9/9	2/2	2/2	2/2	1/1
Mr. Liu Song *(appointed on 8 August 2018)*	1/2	0/1	N/A	N/A	N/A
Mr. Chan Wah *(resigned on 8 August 2018)*	7/7	1/1	2/2	2/2	1/1

(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.

During the Year, all Directors who were in office as at 31 December 2018 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. 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)*	✓	✓
Independent Non-executive Directors:		
Mr. Chan Chi Ming, Tony	✓	✓
Mr. Wu Shiming	✓	✓
Mr. Liu Song *(appointed on 8 August 2018)*	✓	✓

(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 and Senior Management" 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.

(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. Kang Jian 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 appointment letters with Mr. Chan Chi Ming, Tony and Mr. Wu Shiming, for a term of one year on the date of their appointments and with Mr. Liu Song, for a term of three years on the date of his appointment. Mr. Chan Chi Ming, Tony's and Mr. Wu Shiming's appointment letters shall be valid unless terminated by at least three months' written notice served by either party at any time during the then existing term. Mr. Liu Song's appointment letter shall be valid unless terminated by at least one month's written notice served by either party at any time during the then existing term. Their directorships 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. Liu Song. The members' attendance to the Remuneration Committee meeting is listed out on page 32. 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 reviewing the remuneration policy of the Company, assessing the performance of the executive Directors and senior management and recommending specific remuneration packages of the Directors and senior management to the Board with reference to the level of responsibilities of the individual Director, the scope of operation of the Group as well as the prevailing market conditions.

Details of the Directors' and senior management's emoluments for the Year are set out in note 12 to the consolidated financial statements.

The remunerations of the Directors and senior management of the Group for the year ended 31 December 2018 fall within the following band:

Remuneration band	Number of directors and senior management
Nil to HK$1,000,000	5
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	—
HK$2,500,001 to HK$3,000,000	—
HK$4,500,001 to HK$5,000,000	1

(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. Liu Song.

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 reviewing the structure, size and composition of the Board, identifying suitable candidates for directorships, 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 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 board diversity policy, as appropriate, to ensure its continued effectiveness.

The Nomination Committee also has a nomination policy to standardise and enhance transparency for the nomination procedures and the process and criteria adopted by the Nomination Committee in selecting and recommending candidates as Directors, in order to ensure that the Board shall have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall be responsible for reviewing the policy and disclosing the same in the corporate governance report to ensure full compliance with the CG Code, the Listing Rules, the Bye-laws of the Company and other relevant provisions.

The non-exhaustive selection criteria to assess the suitability of a proposed candidate as a Director by the Nomination Committee are listed below:

(a) integrity and reputation;

(b) skill, accomplishment and experience relevant to the Company's business;

(c) available time commitment;

(d) existing and potential conflicts of interest;

(e) diversity of the Board;

Any Directors may nominate a candidate for appointment, election or re-election as a Director by the Board or at a general meeting. Upon obtaining the required information from the candidate as listed above, the Nomination Committee shall evaluate whether such candidate is qualified to be appointed, elected or re-elected into the Board based on the criteria as set out above and the relevant Listing Rules and the policies of the Company.

The Nominate Committee shall convene a meeting to discuss and consider the recommendation of the candidate to the Board for appointment, election or re-election as a Director.

(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. Liu Song. The members' attendance to the Audit Committee meeting is listed out on page 32. 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 two years 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 2018 provided by the Company's auditor, ZHONGHUI ANDA CPA Limited, are approximately HK$790,000 (2017: approximately HK$580,000) and approximately HK$186,000 (2017: approximately HK$190,000) respectively. Non-audit services provided by ZHONGHUI ANDA CPA Limited for the year ended 31 December 2018 included the preparation and filing of tax return and professional services in relation to the review of 2018 interim report.

(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 2018, 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 to 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 2018, no significant control deficiency was identified.

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 that the 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.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company on the Company's risk management and internal control systems in respect of the year ended 31 December 2018 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same. It also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

The Group did not have an internal audit function during the year ended 31 December 2018 as required under code provision C.2.5 of the Code. The Audit Committee and the Board, have considered the internal control review report prepared by the independent consultancy company and communicated with the Company's external auditor in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems.

The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review and determine at least annually the need for an internal audit function.

(M) Communication with Shareholders

At the 2018 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 2018 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 51 to 54 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 30 to 41 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 period between 1 January 2018 and 31 December 2018 (the "**Year**"). The environmental Key Performance Indicators ("**KPI**") as disclosed in the ESG Report is based on the performance of the Group's offices in Hong Kong, Shanghai and Singapore during the Year. The Group has added the Shanghai and Singapore offices into the reporting scope of the ESG Report, as compared to the report in last financial year, which only contains the Hong Kong office.

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

Understanding and taking actions towards stakeholders' concerns and expectations is essential towards our sustainability development. The engagement of stakeholders helps us recognize our sustainability performance therefore we have established appropriate communication channels so that comments and feedbacks from major stakeholders are effectively and timely addressed.

The following table summarises the main expectations and concerns of the key stakeholders as identified by the Group, and the corresponding management responses.

Stakeholders	Expectations	Management Responses/ Communication Channels
Government and Regulators	• Compliance with national policies, laws and regulation • Support for local economic growth • Contribution in local employment • Tax payment in full and on time • Safe production	• Regular information reporting • Dedicated reports
Shareholders	• Returns • Compliance operations • Rise in company value • Transparency and effective communication	• Announcements • Email, telephone conversation and company website • Dedicated reports • Site visits
Partners	• Operation with integrity • Equal Rivalry • Performance of contracts • Mutual benefits	• Review and appraisal meetings • Business communication • Discussion and exchange of opinions • Engagement and cooperation
Customers	• Outstanding products and services • Health and safety • Performance of contracts • Operation with integrity	• Customer service center and hotlines • Customer satisfaction surveys • Meetings with customers • Social media platforms • Client reviews
Environment	• Compliance with emission regulations • Energy saving and emission reduction • Environmental protection	• Communication with local environmental departments • ESG Reporting

Stakeholders	Expectations	Management Responses/ Communication Channels
Employees	• Protection of rights • Occupational health • Remunerations and benefits • Career development • Humanity cares	• Meetings with employees • Employee mailbox • Training and workshop • Employee activities
Community and the public	• Enhancement of community environment • Participation in charity • Transparency	• Company website • Announcements

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. We strictly conform with the laws and regulations applicable to the Group's business such as the Air Pollution Control Ordinance of Hong Kong, the Environmental Protection Law of the People's Republic of China and the Environmental Protection and Management Act of Singapore.

As a service-based business, although production processes are not involved, operation of back office somehow generates emissions. 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 buildings, 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, direct flights are always preferred 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 "Resource 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 used ink cartridges and batteries. All wastes were collected and handled in a proper and legal manner, according to relevant laws such as the Waste Disposal Ordinance of Hong Kong, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste and the Environmental Public Health Act of Singapore, 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. Besides, we promote the reduction of the use of disposable and non-recyclable products. Our staff is encouraged to reduce the use of one-off stationeries and equipment and use refillable stationeries as a substitution. For hazardous wastes, used toner cartridges are collected by the suppliers for recycling.

2.3. Resource Conservation

The sources of energy consumption of the Group include direct consumption, which is the combustion of fuels for our business car and the indirect consumption, which is 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, setting computers to automatic standby mode when idling, 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.

In regard to water consumption, we also carry out a couple of water-saving measures. For instance, we use water-efficient equipment such as dual-flush toilets and faucets with infrared sensors to reduce the unnecessary use of water. We also check for hidden water leakage periodically and will fix dripping tips immediately once problems are found.

3. Employees

3.1. Employment Standard

The Group strictly complies with all relevant labour laws and regulations such as the Employment Ordinance, the Minimum Wage Ordinance, the Employment of Young Persons (Industry) Regulations of Hong Kong; the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China; the Employment Act and the Employment (Children and Young Persons) Regulations of Singapore.

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. Employees are also encouraged to attend external talks and seminars to enrich their knowledge in discharging their duties.

3.3. Health and Safety

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 Law of the People's Republic of China on Prevention and Control of Occupational Diseases and the Workplace Safety and Health (WSH) Act of Singapore.

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. 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 into 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 and the Personal Data Protection Act of Singapore, 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 Regulations of the People's Republic of China for Suppression of Corruption and the Prevention of Corruption Act of Singapore. 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.

During the Year, we were not aware of any breach of laws and regulations in relation to bribery, extortion, fraud and money laundering.

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.

Appendix: Key Performance Index (KPIs)

Environment	2018	2017
Air Pollutants (g)		
NO_x	**426**	1,572
SO_x	**9**	34
PM	**31**	116
Greenhouse Gas (kg CO_2)		
Total emission	**56,794**	23,356
Direct emission (Scope 1)[1]	**1,750**	6,205
Indirect emission (Scope 2)[2]	**20,639**	14,522
Indirect emission (Scope 3)[3]	**34,405**	2,629
Emission/number of employees	**1,159.06**	2,123.25
Wastes (kg)		
Total hazardous waste produced	**9**	3
Hazardous waste produced/number of employees	**0.18**	0.29
Total non-hazardous waste produced	**4,380**	1,080
Non-hazardous waste produced/number of employees	**89.39**	98.18
Energy Consumption (MWh)		
Total energy consumption	**32**	40
Fuel consumed for vehicles	**6**	22
Electricity	**26**	18
Energy consumption/number of employees	**0.66**	3.68
Social		
Total workforce (persons)	**49**	34
By gender		
Male	**29**	21
Female	**20**	13
By age group		
<30	**9**	12
30-50	**36**	17
>50	**4**	5
By employment type		
Permanent	**46**	31
Part-time	**3**	3
By geographical region		
Hong Kong	**9**	11
Singapore	**26**	16
Shanghai	**14**	7

1 Data includes greenhouse gas emissions derived from the fuel combustion of the Group's vehicle.
2 Data includes greenhouse gas emissions derived from the use of purchased electricity.
3 Data includes greenhouse gas emissions derived from business trips of employees and disposal of paper to landfills.

	2018	2017
Employee Turnover Rate (%)	**37**	6
By gender		
Male	**31**	5
Female	**45**	8
By age group		
<30	**100**	0
30–50	**19**	6
>50	**50**	20
By geographical region		
Hong Kong	**44**	18
Singapore	**35**	0
Shanghai	**36**	0
Health and Safety		
Number of work-related fatalities	**0**	0
Lost days due to work injury (days)	**0**	0

ZHONGHUI

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 55 to 115, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

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.

Loans to customers; trade and bills receivables and interest receivables; and accounts receivables

Refer to notes 18 to 20 to the consolidated financial statements

The Group tested the recoverability of the amounts of loans to customers; trade and bills receivables and interest receivables; and accounts receivables. This recoverability test is significant to our audit because the balances of these loans to customers, trade and bills receivables and interest receivables, and accounts receivables of approximately HK$15,000,000, HK$595,030,000 and HK$434,415,000 respectively as at 31 December 2018 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 trade customers;
- assessing the Group's relationship and transaction history with the trade customers;
- evaluating the Group's impairment assessment;
- assessing aging of the trade debts;
- checking subsequent settlements from the trade customers;
- understanding the established policies and procedures on credit risk management of the Group and assessing and evaluating the process with respect to identification of accounts receivables from brokers, dealers and customers with indicators of impairment and the measurement of the impairment allowance;
- assessing the sufficiency of the impairment loss recognised with respect to the above shortfall, after taking into account other factors like credit worthiness, subsequent utilisation of accounts in the future dealings as well as past collection history; 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 loans to customers, trade and bills receivables and interest receivables, and accounts receivables is supported by the available evidence.

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, 22 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	7	**4,330,171**	5,389,307
Cost of sales		**(4,141,309)**	(5,321,420)
Gross profit		**188,862**	67,887
Other income, gain and loss	8	**(22,995)**	(6,281)
Selling and distribution expenses		**(20,204)**	(592)
Administrative expenses		**(58,242)**	(25,691)
Profit from operations		**87,421**	35,323
Finance costs	9	**(4,774)**	(8,319)
Share of profits of an associate	16	**1,487**	—
Profit before taxation		**84,134**	27,004
Income tax	10	**(16,997)**	(5,655)
Profit for the year	11	**67,137**	21,349
Attributable to:			
Owners of the Company		**61,893**	21,349
Non-controlling interests		**5,244**	—
		67,137	21,349
Other comprehensive loss:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(1,567)**	(163)
Other comprehensive loss for the year, net of tax		**(1,567)**	(163)
Total comprehensive income for the year		**65,570**	21,186
Attributable to:			
Owners of the Company		**60,326**	21,186
Non-controlling interests		**5,244**	—
		65,570	21,186
Earnings per share			
— Basic (HK cents per share)	14	**0.78**	0.31
— Diluted (HK cents per share)	14	**0.78**	0.31

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**2,896**	3,659
Investment in an associate	16	**39,707**	—
		42,603	3,659
Current assets			
Inventories	17	**365,724**	1,325
Loans to customers	18	**15,000**	—
Trade and bills receivables and interest receivables	19	**595,030**	858,809
Accounts receivables	20	**434,415**	1,961
Financial assets at fair value through profit or loss	21	**1,446**	—
Prepayments, deposits and other receivables	22	**76,445**	2,493
Current tax recoverable		**—**	328
Cash and bank balances	23	**286,407**	92,904
		1,774,467	957,820
Current liabilities			
Trade and bills payables	24	**349,815**	290,207
Trust receipt loans	25	**225,670**	37,796
Accounts payables	26	**415,306**	780
Contract liabilities	27	**31,491**	6,138
Accruals and other payables		**53,246**	3,430
Current tax payable		**16,380**	5,696
		1,091,908	344,047
Net current assets		**682,559**	613,773
NET ASSETS		**725,162**	617,432
Capital and reserves			
Share capital	28	**19,736**	19,736
Reserves	30	**660,687**	597,696
Equity attributable to owners of the Company		**680,423**	617,432
Non-controlling interests		**44,739**	—
TOTAL EQUITY		**725,162**	617,432

The consolidated financial statements on pages 55 to 115 were approved and authorised for issue by the board of directors on 22 March 2019 and are signed on its behalf by:

Director	**Director**
Kang Jian	*Wu Lei*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	13,157	302,796	–	(5,005)	(108,716)	202,232	–	202,232
Total comprehensive income for the year	–	–	–	(163)	21,349	21,186	–	21,186
Issue of new shares (note 28(i))	6,579	387,435	–	–	–	394,014	–	394,014
At 31 December 2017 and 1 January 2018	**19,736**	**690,231**	**–**	**(5,168)**	**(87,367)**	**617,432**	**–**	**617,432**
Total comprehensive income for the year	**–**	**–**	**–**	**(1,567)**	**61,893**	**60,326**	**5,244**	**65,570**
Capital contribution received from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**42,160**	**42,160**
Disposal of interests in subsidiaries without loss of control (note 31)	**–**	**–**	**2,665**	**–**	**–**	**2,665**	**(2,665)**	**–**
At 31 December 2018	**19,736**	**690,231**	**2,665**	**(6,735)**	**(25,474)**	**680,423**	**44,739**	**725,162**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit before taxation:		**84,134**	27,004
Adjustments for:			
Interest income		**(1,181)**	(15)
Finance costs		**4,774**	8,319
Share of profits of associates		**(1,487)**	—
Depreciation of property, plant and equipment		**1,435**	900
Impairment losses		**3,319**	6,199
Gain on disposal of property, plant and equipment		**—**	2
Gain on disposal of financial assets at fair value through profit or loss		**(1,299)**	—
Operating cash flows before working capital changes		**89,695**	42,409
Change in inventories		**(377,569)**	(1,325)
Change in loans to customers		**(15,000)**	—
Change in trade and bills receivables		**260,460**	(301,037)
Change in interest receivables		**—**	(378)
Change in accounts receivables		**(432,454)**	(1,961)
Change in prepayments, deposits and other receivables		**(45,773)**	70,369
Change in cash and bank balances — Trust and segregated accounts		**(50,934)**	(1)
Change in trade and bills payables	32	**1,490,225**	95,245
Change in accounts payables		**414,526**	780
Change in contract liabilities		**26,618**	5,815
Change in accruals and other payables		**49,822**	2,326
Cash generated from/(used in) operations		**1,409,616**	(87,758)
Overseas tax paid		**(5,813)**	(37)
Hong Kong profits tax refund/(paid)		**328**	(638)
Interest received		**1,181**	15
Net cash generated from/(used in) operating activities		**1,405,312**	(88,418)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(680)**	(3,986)
Investment in an associate		**(38,220)**	—
Purchase of financial assets at fair value through profit or loss		**(54,795)**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**24,991**	—
Net cash used in investing activities		**(68,704)**	(3,986)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Net proceeds from issue of new shares of subsidiaries to non-controlling interests		**42,160**	—
Repayment of trust receipt loans	32	**(1,240,638)**	(228,014)
Interest paid		**(4,774)**	(8,319)
Net proceeds from issue of new shares		**—**	394,014
Net cash (used in)/generated from financing activities		**(1,203,252)**	157,681
Net increase in cash and cash equivalents		**133,356**	65,277
Effect of changes in foreign exchange rates		**9,213**	194
Cash and cash equivalents at beginning of year		**92,903**	27,432
Cash and cash equivalents at end of year		**235,472**	92,903
Analysis of cash and cash equivalents			
Cash and bank balances — General accounts		**235,472**	92,903

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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 36 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 (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. 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 year and prior years except as stated below:

(i) HKFRS 9 (2014) "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 loans to customers, 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 these loans to customers, 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 consolidated financial statements.

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

(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. The Group's revenue in respect of its distribution and trading and financial services is recognised at a point in time when control of the products is transferred to or the services is rendered to the corresponding customers.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. 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. Significant Accounting Policies

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

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. 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.

3. Significant Accounting Policies (continued)

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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

3. Significant Accounting Policies (continued)

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder' s intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates 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.

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.

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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
Furniture, fixtures and 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.

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 comprises, raw materials, direct costs and subcontracting charges where appropriate. 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.

3. Significant Accounting Policies (continued)

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

— Financial assets at amortised cost; and

— Investments at fair value through profit or loss.

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Investments at fair value through profit or losses

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

3. Significant Accounting Policies (continued)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

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.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3. Significant Accounting Policies (continued)

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.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance;

(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

3. Significant Accounting Policies (continued)

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.

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. Critical Judgements and Key Estimates

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

Consolidation of entity of less than 50% equity interest

Although the Group owns less than 50% of the equity interest in Megawell SPC — Megawell 2 SP, a segregated portfolio fund under Megawell SPC, a company incorporated in the Cayman Islands, Megawell 2 SP is treated as a subsidiary because the Group is able to control the relevant activities of Megawell 2 SP as a result of the shareholders' agreement between the Group and other shareholders of Megawell 2 SP.

4. Critical Judgements and Key Estimates (continued)

(b) 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.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

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 certain 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, including Hong Kong dollars, United States dollars and Renminbi. 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.

At 31 December 2018, if the Renminbi had weakened/strengthened 5.7% (2017: 6.3%) against the US dollar with all other variables held constant, consolidated profit after tax for the year would have been approximately of HK$16,578,000 (2017: HK$72,000) lower/higher, arising mainly as a result of the foreign exchange loss on trade and bills payables denominated in US dollar.

5. Financial Risk Management (continued)

(b) Credit risk

The carrying amount of the cash and bank balances, trade, bills, interest and other receivables, accounts receivables, investment 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. The default risk of the industry and country in which debtors operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a concentration of credit risk as 64% (2017: 65%) and 99% (2017: 99%) of trade and bills receivables which was due from the Group's largest debtor and the five largest 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.

In order to minimise the credit risk on the accounts receivables relating to the brokerage activities, the Group only select those brokers which are either the licensed financial institutions or Fortune 500 Conglomerate for carrying on the brokerage and clearing services business and acting as the custodians of the fund of the Group itself and its customers. In this regard, the directors of the Company consider that the Group's credit risk on the accounts receivable is significantly reduced.

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.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

5. Financial Risk Management (continued)

(b) Credit risk (continued)

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 180 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

(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	
	2018	2017
	HK$'000	HK$'000
Trade and bills payables	**349,815**	290,207
Trust receipt loans	**225,820**	37,836
Accounts payables	**415,306**	780
Accruals and other payables	**53,246**	3,430
	1,044,187	332,253

(d) Interest rate risk

As the Group has no 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 at 31 December

	2018 HK$'000	2017 HK$'000
Financial assets		
Investments at fair value through profit or loss:		
Designated as such upon initial recognition	**1,446**	–
Financial assets at amortised cost (including cash and cash equivalents):		
Loans to customers	**15,000**	–
Trade and bills receivables and interest receivables	**595,030**	858,809
Accounts receivables	**434,415**	1,961
Deposits and other receivables	**51,401**	1,575
Cash and bank balances	**286,407**	92,904
	1,382,253	955,249
	1,383,699	955,249
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	**349,815**	290,207
Trust receipt loans	**225,670**	37,796
Accounts payables	**415,306**	780
Accruals and other payables	**53,246**	3,430
	1,044,037	332,213

(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. Fair Value Measurements

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.

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.

(a) Disclosures of level in fair value hierarchy at 31 December 2018:

	Fair value measurements using:			Total
	Level 1	**Level 2**	**Level 3**	**2018**
Description	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Unlisted investment fund in Singapore	**–**	**–**	**1,446**	**1,446**

During the year ended 31 December 2018, there was no transfer between Level 1 and Level 2, or transfers into or out of Level 3 (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.

6. Fair Value Measurements (continued)

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

Description	Financial assets at fair value through profit or loss: Unlisted investment fund 2018 HK$'000
At beginning of year	–
Purchases	**54,795**
Redemption	**(54,648)**
Total gains or losses recognised in profit or loss (#)	**1,299**
At end of year	**1,446**
(#) Include gains or losses for assets held at end of reporting period	–

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other income in the consolidated statement of profit or loss and other comprehensive income.

6. Fair Value Measurements (continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 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.

Key unobservable inputs used in level 3 fair value measurements are mainly:

(i) risk-adjusted discount rate

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value change	Fair value 2018 HK$'000
Unlisted investment fund classified at financial assets at fair value through profit or loss	Discounted cash flow	Risk-adjusted discount rate	10%	The estimated fair value would increase/ (decrease) if the risk-adjusted discount factor was lower/ (higher)	1,446

7. Revenue and Segment Information

(a) Revenue

	2018 HK$'000	2017 HK$'000
Sales from trading of goods	**4,272,362**	5,388,915
Commission income and brokerage fees from the provision of financial services	**17,518**	15
Less: Sales taxes and levies	**(669)**	—
Revenue from contracts with customers	**4,289,211**	5,388,930
Gain from derivative trading	**40,257**	—
Interest income from loans to customers	**552**	377
Interest income from customers' segregated accounts	**151**	—
	40,960	377
Total revenue	**4,330,171**	5,389,307

Sales from trading of goods

The Group trades the bulk commodities and related products — iron ore to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Revenue from these sales is recognised based on the prices specified in the contracts, net of sales taxes and levies as well as commodities price index change between the dates of contracts and goods delivery.

Sales to customers are normally made with credit terms of Nil to 90 days. For those customers in the PRC, deposits are regularly required and these deposits received are recognised as the contract liabilities.

The trade and bills receivables are recognised when the products are delivered to the customers as these are the point in time that the considerations are unconditional because only the passage of time is required before the payment is due.

7. Revenue and Segment Information (continued)

(a) Revenue (continued)

Commission income and brokerage fees from the provision of financial services

The Group provides a wide range of financial services to its customers. Amongst them, the commission income and brokerage fees from the provision of futures and derivatives products for global exchange services is recognised when the services are rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the services.

Disaggregation of revenue from contracts with customers:

Segments	Distribution and trading HK$'000	Financial services HK$'000	2018 Total HK$'000
Geographical markets			
Hong Kong	257,101	14,612	271,713
Singapore	2,818,305	2,906	2,821,211
The PRC	1,196,287	–	1,196,287
Total	4,271,693	17,518	4,289,211
Major products/services			
Trading of bulk commodities	4,271,693	–	4,271,693
Commission income and brokerage fees	–	17,518	17,518
Total	4,271,693	17,518	4,289,211
Time of revenue recognition			
At a point in time	4,271,693	17,518	4,289,211

7. Revenue and Segment Information (continued)

(a) Revenue (continued)

Disaggregation of revenue from contracts with customers:

Segments	Distribution and trading HK$'000	Financial services HK$'000	2017 Total HK$'000
Geographical markets			
Hong Kong	—	—	—
Singapore	5,388,915	15	5,388,930
Total	5,388,915	15	5,388,930
Major products/services			
Trading of bulk commodities	5,388,915	—	5,388,915
Commission income and brokerage fees	—	15	15
Total	5,388,915	15	5,388,930
Time of revenue recognition			
At a point in time	5,388,915	15	5,388,930

(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 2018, 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, market making and margin financing in Hong Kong and Singapore.

7. 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 2018

	Distribution and trading HK$'000	Financial services HK$'000	Total HK$'000
Revenue	**4,271,693**	**58,478**	**4,330,171**
Segment profit	**92,056**	**2,336**	**94,392**
Finance costs	**(3,410)**	**(1,364)**	**(4,774)**
Unallocated other income, gain and loss			**629**
Corporate expenses			**(7,600)**
Share of profits of an associate			**1,487**
Profit before taxation			**84,134**

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

7. 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 2018

	Distribution and trading HK$'000	Financial services HK$'000	Total HK$'000
Segment assets	1,153,553	612,291	1,765,844
Unallocated property, plant and equipment			2
Unallocated prepayments, deposits and other receivables			2,626
Investment in an associate			39,707
Unallocated cash and bank balances			8,891
Consolidated assets			1,817,070
Segment liabilities	385,300	459,212	844,512
Trust receipt loans	225,670	–	225,670
Current tax payable	14,063	2,317	16,380
Unallocated trade and bills payables			3,665
Unallocated accruals and other payables			1,681
Consolidated liabilities			1,091,908

7. Revenue and Segment Information (continued)

(b) Segment information (continued)

Segment assets and liabilities: (continued)

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
Current tax payable	5,696	–	5,696
Unallocated trade payables			3,768
Unallocated accruals and other payables			1,752
Consolidated liabilities			344,047

7. Revenue and Segment Information (continued)

(b) Segment information (continued)

Other segment information:

	Distribution and trading HK$'000	**Financial services HK$'000**	**Total HK$'000**
Year ended 31 December 2018			
Amounts included in the measure of segment results or segment assets:			
Additions of property, plant and equipment	**269**	**411**	**680**
Depreciation of property, plant and equipment	**2**	**1,433**	**1,435**

	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

Geographical information:

	Revenue		**Non-current assets**	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Hong Kong	**272,265**	377	**1,991**	3,249
Singapore	**2,861,619**	5,388,930	**40,408**	406
The PRC	**1,196,287**	—	**204**	4
	4,330,171	5,389,307	**42,603**	3,659

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

7. Revenue and Segment Information (continued)

(b) Segment information (continued)

Information about major customers:

Revenue from two (2017: four) customers from the Group's distribution and trading business segment contributing over 10% of the total revenue of the Group represents approximately HK$1,222,007,000 (2017: approximately HK$3,967,800,000) of the Group's total revenue.

8. Other Income, Gain and Loss

	2018 HK$'000	2017 HK$'000
Interest income on bank deposits	**1,181**	15
Investment income	**1,299**	—
Loss on disposal of property, plant and equipment	**—**	(2)
Net foreign exchange loss	**(22,297)**	(102)
Impairment loss		
— Loan to a customer and interest receivables	**—**	(6,199)
— Trade and bills receivables	**(3,319)**	—
Others	**141**	7
	(22,995)	(6,281)

9. Finance Costs

	2018 HK$'000	2017 HK$'000
Bills discounting interest expenses and interest expenses on trust receipt loans	**3,410**	8,319
Interest expenses on promissory notes	**1,364**	—
	4,774	8,319

10. Income Tax

	2018 **HK$'000**	2017 HK$'000
Current tax		
— Hong Kong Profits Tax		
— Provision for the year	**—**	—
— PRC Corporate Income Tax		
— Provision for the year	**8,265**	—
— Singapore Corporate Income Tax		
— Provision for the year	**8,677**	5,696
— Under/(Over)-provision for prior year	**55**	(41)
	16,997	5,655

Hong Kong Profits Tax is calculated at 16.5% (2017: 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 2018 as the Company and its subsidiaries have no assessable profit arising from Hong Kong during the reporting period.

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 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 year ended 31 December 2018 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 2018.

The income tax provision in respect of operations in the PRC is calculated at 25% on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

10. Income Tax (continued)

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

	2018 HK$'000	2017 HK$'000
Profit before taxation	**84,134**	27,004
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdiction concerned	**17,121**	4,690
Tax effect on income that is not taxable	**(22)**	(51)
Tax effect of expenses that are not deductible	**1,565**	752
Under/(Over) provision in respect of prior years	**55**	(41)
Utilisation of tax losses previously not recognised	**(46)**	—
Effect of GTP incentive award	**(3,833)**	(3,544)
One-off tax reduction	**(206)**	(78)
Tax losses not recognised	**2,190**	3,927
Others	**173**	—
	16,997	5,655

At the end of the reporting period, subject to agreement with tax authorities, the Group has unused tax losses of approximately HK$422,191,000 (2017: approximately HK$408,136,000) 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$38,543,000 (2017: approximately HK$39,628,000) that will expire on or before 2025 (2017: expire on or before 2025), other tax losses may be carried forward indefinitely.

11. Profit for the Year

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

	Note	**2018** **HK$'000**	2017 HK$'000
Cost of inventories recognised as expenses		**4,109,667**	5,321,380
Depreciation of property, plant and equipment		**1,435**	900
Auditors' remuneration			
— audit services		**790**	580
— non-audit services	(a)	**186**	110
		976	690
Operating lease rentals in respect of rented premises		**3,722**	3,266
Directors' remuneration (note 12)		**11,531**	6,212
Consultancy fees		**—**	463
Other staff costs			
— salaries, discretionary bonuses and allowances		**31,231**	6,960
— retirement benefits scheme contributions		**189**	356
		31,420	7,316

Note:

(a) The remuneration in respect of non-audit service provided by the Company's auditors in the year ended 31 December 2018 was HK$186,000 (2017: HK$190,000), in which HK$186,000 (2017: HK$110,000) was charged to profit or loss for the year ended 31 December 2018 and HK$Nil (2017: HK$80,000) relating to the professional services in connection with the rights issue was charged to equity for the year ended 31 December 2018.

12. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2018 is set out below:

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:						
Mr. Ng Chi Lung	1	–	420	–	11	431
Mr. Wu Lei		–	1,080	412	101	1,593
Ms. Chen Jing		–	1,320	447	2	1,769
Ms. Wu Aiping		–	1,320	3,241	81	4,642
Mr. Cao Zhuoqun	2	–	326	–	46	372
Mr. Wong Hok Bun Mario	3	–	572	176	12	760
Mr. Kang Jian	4	–	474	548	–	1,022
Mr. Hu Yong	4	–	427	155	–	582
Independent non-executive directors:						
Mr. Chan Chi Ming, Tony		120	–	–	–	120
Mr. Wu Shiming		120	–	–	–	120
Mr. Liu Song	4	48	–	–	–	48
Mr. Chan Wah	2	72	–	–	–	72
		360	5,939	4,979	253	11,531

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

(a) Directors' emoluments (continued)

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 bonuses 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	5	180	330	330	–	840
Ms. Wu Aiping	6	–	331	–	9	340
Mr. Cao Zhuoqun	6	–	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

Notes:

1. Resigned on 31 July 2018
2. Resigned on 8 August 2018
3. Resigned on 12 August 2018
4. Appointed on 8 August 2018
5. Re-designated as executive director on 1 October 2017
6. Appointed on 1 October 2017

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2017: three) are Directors whose emoluments are disclosed in note 12(a) above. The aggregate of the emoluments in respect of the five individuals with the highest emoluments (including the Directors) are as follows:

	2018	2017
	HK$'000	HK$'000
Salaries, discretionary bonuses and allowances	**11,901**	7,489
Retirement benefit scheme contributions	**273**	206
	12,174	7,695

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

	2018	2017
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	3
HK$1,500,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$4,500,001 to HK$5,000,000	**1**	–

Save as disclosed above, for the two years ended 31 December 2018 and 2017, 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.

13. Dividend

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2018 (2017: Nil).

14. 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 year attributable to 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 28(i).

	2018 **HK$'000**	2017 HK$'000
Profit:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**61,893**	21,349

	2018 **'000**	2017 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,894,230**	6,981,797

(b) Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2018.

15. Property, Plant and Equipment

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2017	–	63	759	822
Additions	2,183	1,803	–	3,986
Disposals	–	(4)	–	(4)
At 31 December 2017 and 1 January 2018	2,183	1,862	759	4,804
Additions	–	680	–	680
Exchange adjustments	–	(10)	–	(10)
At 31 December 2018	2,183	2,532	759	5,474
Accumulated depreciation:				
At 1 January 2017	–	18	229	247
Charge for the year	546	202	152	900
Elimination on disposal	–	(2)	–	(2)
At 31 December 2017 and 1 January 2018	546	218	381	1,145
Charge for the year	821	462	152	1,435
Elimination on disposal	–	(2)	–	(2)
At 31 December 2018	1,367	678	533	2,578
Carrying amount:				
At 31 December 2018	816	1,854	226	2,896
At 31 December 2017	1,637	1,644	378	3,659

16. Investment in an Associate

	2018 **HK$'000**	2017 HK$'000
Unlisted investments in Singapore:		
Share of net assets	**39,707**	–

The following table shows the Group's share of the amounts of an immaterial associate that are accounted for using the equity method.

	2018 **HK$'000**	2017 HK$'000
At 31 December:		
Carrying amounts of interests	**39,707**	–
Year ended 31 December:		
Profit from continuing operations	**1,487**	–
Profit after tax from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**1,487**	–

17. Inventories

	2018 **HK$'000**	2017 HK$'000
Finished goods	**365,724**	1,325

18. Loans to Customers

	2018 **HK$'000**	2017 HK$'000
Loans to customers	**20,390**	5,390
Provision for impairment	**(5,390)**	(5,390)
	15,000	—

Movements in the provision for impairment of loans to customers are as follows:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**5,390**	—
Provision for impairment recognised during the year	**—**	5,390
At 31 December	**5,390**	5,390

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for loans to customers. To measure the expected credit losses, loans to customers have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	**Over 180 days past due**	**Over 360 days past due**	**Total**
At 31 December 2018				
Weighted average expected loss rate	**0%**	**0%**	**100%**	**26%**
Receivable amount (HK$'000)	**15,000**	**—**	**5,390**	**20,390**
Loss allowance (HK$'000)	**—**	**—**	**5,390**	**5,390**
At 31 December 2017				
Weighted average expected loss rate	0%	100%	0%	100%
Receivable amount (HK$'000)	—	5,390	—	5,390
Loss allowance (HK$'000)	—	5,390	—	5,390

18. Loans to Customers (continued)

The fixed-rate loans to customers of HK$20,390,000 (2017: HK$5,390,000) as at the end of reporting period under the Group's loan financing services operation represent loan advances to two (2017: one) independent third parties which are secured by personal guarantee. The interest rates for the loans to customers were ranging from 8% to 12% (2017: 12%) per annum.

The loans made available to customers depend 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 the end of reporting period, one the loans had been past due and no collection was probable despite the series of chasing actions conducted by the Group. Accordingly, an allowance had been made for estimated irrecoverable loan of HK$5,390,000 since the year ended 31 December 2017.

Aging analysis

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

	2018 **HK$'000**	2017 HK$'000
Less than 1 year	**15,000**	–

19. Trade and Bills Receivables and Interest Receivables

	2018 **HK$'000**	2017 HK$'000
Trade and bills receivables	**598,349**	858,809
Interest receivables	**–**	809
Allowance for bad and doubtful debts	**(3,319)**	(809)
	595,030	858,809

Trade and bills receivables as at the end of reporting period mainly represent receivables from trading customers and relevant bills issued by 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 (2017: 5 to 90 days).

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

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

	2018 **HK$'000**	2017 HK$'000
Not yet due or within 90 days	**594,746**	854,547
91–180 days	**284**	4,262
	595,030	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.

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 18 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.

Reconciliation of loss allowance for trade and bills receivables and interest receivables:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**809**	–
Increase in loss allowance for the year	**3,319**	809
Amounts written off	**(809)**	–
At 31 December	**3,319**	809

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

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade and bills receivables and interest receivables. To measure the expected credit losses, trade and bills receivables and interest receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	**30–180 days past due**	**Over 180 days past due**	**Total**
At 31 December 2018				
Weighted average expected loss rate	**1%**	**0%**	**0%**	**1%**
Receivable amount (HK$'000)	**597,086**	**1,257**	**6**	**598,349**
Loss allowance (HK$'000)	**3,319**	**–**	**–**	**3,319**
At 31 December 2017				
Weighted average expected loss rate	0%	0%	100%	1%
Receivable amount (HK$'000)	854,547	4,262	809	859,618
Loss allowance (HK$'000)	–	–	809	809

20. Accounts Receivables

	2018 HK$'000	2017 HK$'000
Arising from the business of dealing in futures contracts:		
— Brokers and dealers		
— representing customer balances	**415,984**	780
— representing house balances	**18,191**	1,169
	434,175	1,949
Arising from financial services provided:		
— Customers	**240**	12
	434,415	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.

21. Financial Assets at Fair Value Through Profit or Loss

	2018	2017
	HK$'000	HK$'000
Equity securities, at fair value		
Unlisted investment fund in Singapore	**1,446**	–

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$1,299,000.

22. Prepayments, Deposits and Other Receivables

	2018	2017
	HK$'000	HK$'000
Trade deposits	**13**	–
Prepayments	**25,044**	918
Deposit and other receivables	**51,388**	1,575
	76,445	2,493

23. Cash and Bank Balances

	2018	2017
	HK$'000	HK$'000
Cash at bank		
– General accounts	**235,435**	92,900
– Trust and segregated accounts	**50,935**	1
Cash in hand	**37**	3
	286,407	92,904

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.

24. Trade and Bills Payables

	2018 **HK$'000**	2017 HK$'000
Trade and bills payables	**349,815**	290,207

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

	2018 **HK$'000**	2017 HK$'000
Within 90 days	**344,753**	273,103
90–180 days	**1,280**	13,336
Over 1 year	**3,782**	3,768
	349,815	290,207

25. Trust Receipt Loans

	2018 **HK$'000**	2017 HK$'000
Trust receipt loans — secured	**225,670**	37,796

The maturity of trust receipt loans is as follows:

	2018 **HK$'000**	2017 HK$'000
Repayable on demand or within 1 year	**225,670**	37,796

Trust receipt loans at 31 December 2018 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 2018 is as follows:

	2018	2017
Trust receipt loans	**3.61%**	2.56%

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

26. Accounts Payables

	2018 HK$'000	2017 HK$'000
Arising from the business of dealing in futures contracts	**415,306**	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.

27. Contract Liabilities

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000	As at 1 January 2017 HK$'000
Contract liabilities — sales of bulk commodities and related products	**31,491**	6,138	323
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
— 2018	**—**	60,241	
— 2019	**42,461**	—	
	42,461	60,241	

Year ended 31 December	2018 HK$	2017 HK$
Revenue recognised in the year that was included in contract liabilities at beginning of year	**5,815**	—

27. Contract Liabilities (continued)

Significant changes in contract liabilities during the year:

	2018 **HK$'000**	2017 HK$'000
Increase due to operations in the year	**1,471,022**	616,337
Transfer of contract liabilities to revenue	**(1,445,669)**	(610,522)

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

28. Share Capital

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

Note:

(i) 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.

28. Share Capital (continued)

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 2018 and 2017.

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 2018 and 2017 were as follows:

	2018	2017
	HK$'000	HK$'000
Total liabilities	**1,091,908**	344,047
Total assets	**1,817,070**	961,479
Gearing ratio	**60%**	36%

29. 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.

29. Equity-settled Share Option Scheme (continued)

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.

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

Apart from the 2009 Scheme, during the years ended 31 December 2018 and 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.

30. 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$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	302,796	(110,944)	191,852
Loss for the year	—	(5,963)	(5,963)
Issue of new shares (note 28(i))	387,435	—	387,435
At 31 December 2017 and 1 January 2018	**690,231**	**(116,907)**	**573,324**
Loss for the year	**—**	**(4,750)**	**(4,750)**
At 31 December 2018	**690,231**	**(121,657)**	**568,574**

(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) Capital reserve

The capital reserve represents capitalisation of the gain on deemed disposal with equity of certain subsidiaries without loss of control. Such gain was credited to the capital reserve of the Group on consolidation.

(iii) 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.

31. 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.

	2018 **HK$'000**
Consideration received from non-controlling interests	**25,000**
Carrying amount of non-controlling interests increase	**22,335**
Gain on deemed disposal with equity	**2,665**

There were no transactions with non-controlling interests in the year ended 31 December 2017.

32. Notes to the Consolidated Statement of Cash Flows

(i) Major non-cash transaction

The Company made use of trust receipt loans facilities approximately of HK$1,428,512,000 (2017: HK$265,810,000) for purchasing the trading commodities in its daily operating activity.

(ii) 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	
	2018	2017
	HK$'000	HK$'000
At beginning of year	**37,796**	—
Changes in cash flows		
— Repayment of trust receipt loans	**(1,240,638)**	(228,014)
— Interest paid	**(3,410)**	(8,319)
Non-cash changes		
— Finance costs	**3,410**	8,319
— Proceed from trust receipt loans facilities for purchasing the trading commodities	**1,428,512**	265,810
At end of year	**225,670**	37,796

33. 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:

	2018	2017
	HK$'000	HK$'000
Within one year	**3,613**	3,674
In the second to fifth year, inclusive	**19**	3,598
	3,632	7,272

34. Statement of Financial Position of the Company

	2018 HK$'000	2017 HK$'000
Non-current assets		
Property, plant and equipment	**2**	3
Investments in subsidiaries	**475,142**	390,002
Investment in an associate	**38,220**	—
	513,364	390,005
Current assets		
Amounts due from subsidiaries	**68,773**	196,715
Prepayments, deposits and other receivables	**2,457**	2,086
Cash and bank balances	**5,154**	7,948
	76,384	206,749
Current liabilities		
Accruals and other payables	**1,438**	1,552
Amounts due to subsidiaries	**—**	2,142
	1,438	3,694
Net current assets	**74,946**	203,055
NET ASSETS	**588,310**	593,060
Capital and reserves		
Share capital	**19,736**	19,736
Reserves	**568,574**	573,324
TOTAL EQUITY	**588,310**	593,060

35. 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:

	2018 **HK$'000**	2017 HK$'000
Accounts receivables from related party owned by the ultimate controlling shareholder of the Company	**239**	–
Accounts payables to related party owned by the ultimate controlling shareholder of the Company	**51,776**	–
Accounts payables to non-controlling shareholder of subsidiaries	**68,409**	–
Trade receivables from an associate	**430,244**	–
Trade payables to an associate	**126,338**	–
Brokerage and commission fee income from related party owned by the ultimate controlling shareholder of the Company	**8,419**	–
Brokerage and commission fee income from non-controlling shareholder of subsidiaries	**4,600**	–
Sales of trading commodities to an associate	**528,289**	–
Purchase of trading commodities from an associate	**559,388**	–

As at 31 December 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.

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.

36. 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 2018 and 2017 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
			2018	2017	
Top Board International Limited	BVI	US$100	**100%**	100%	Investment holding
Allied Power Development Limited	BVI	US$100	**100%**	100%	Investment holding
Billion Team Investments Limited	BVI	US$100	**100%**	100%	Investment holding
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$100,000,000 (2017: HK$1)	**75%**	100%	Investment holding
BPI Futures (HK) Holdings Limited	Hong Kong	HK$60,000,000 (2017: HK$1)	**75%**	100%	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 Holdings Group Limited	Hong Kong	HK$1	**100%**	100%	Business not yet commenced
Bright Point International Securities Limited	Hong Kong	HK$15,000,000	**100%**	100%	Provision of securities brokerage services

36. 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		Principal activities
			2018	2017	
Bright Point International Futures Limited	Hong Kong	HK$50,000,000 (2017: HK$10,000,000)	**75%**	100%	Provision of futures contract brokerage services
Bright Point International Asset Management Limited	Hong Kong	HK$1	**100%**	100%	Business not yet commenced
Bright Point Trading Pte. Ltd.	Singapore	US$50,000,000	**100%**	100%	Distribution and trading
Bright Point International Futures (SG) Pte. Ltd.	Singapore	US$1,000,000 (2017: US$350,000)	**100%**	100%	Provision of financial brokerage services
BPI Trading (SG) Pte. Ltd.	Singapore	US$1	**75%**	100%	Provision of structured trade services
BPI Futures (SG) Holdings Pte. Ltd.	Singapore	US$1	**75%**	100%	Investment holding
BPI Trading (SG) Holdings Pte. Ltd.	Singapore	US$1	**75%**	100%	Investment holding
BPI Financial (SG) Holdings Pte. Ltd.	Singapore	US$1	**75%**	100%	Investment holding
Bright Point International Financial (SG) Pte. Ltd.	Singapore	US$1,789,229 (2017: US$1,000,000)	**75%**	100%	Provision of financial brokerage services and structured trade services
Jingdian (Shanghai) Trading Co., Ltd.	PRC	RMB10,000,000	**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

36. 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 2018	2017	Principal activities
BPI (China) Holdings Limited	Hong Kong	HK$1	**100%**	N/A	Investment holding
Megawell SPC — Megawell 2 SP (note)	Cayman Islands	US$3,500,000	**37%**	N/A	Derivative trading

Note: Megawell 2 SP is going to be dissolved in the first half of 2019 and transferred its net asset at their carrying amount to Theme International Trading SPC — Theme 1 SP for restructuring purposes on 31 December 2018.

37. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of certain contract liabilities and movements in trust receipts loans as presented in the consolidated statement of financial position and consolidated statement of cash flows.

38. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2019.

Five-Year Financial Summary

RESULTS

	For the years ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**4,330,171**	5,389,307	1,581,947	55,044	77,492
Profit/(Loss) before taxation	**84,134**	27,004	(25,556)	(23,376)	(22,253)
Income tax	**(16,997)**	(5,655)	(381)	(7)	—
Profit/(Loss) for the year	**67,137**	21,349	(25,937)	(23,383)	(22,253)

ASSETS AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,817,070**	961,479	664,462	207,680	47,651
Total liabilities	**(1,091,908)**	(344,047)	(462,230)	(126,271)	(56,645)
Net assets/(liabilities)	**725,162**	617,432	202,232	81,409	(8,994)