

T h e m e

Theme International Holdings Limited

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



INTERIM REPORT

2020

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Corporate Information

DIRECTORS

Executive Directors

Mr. Jiang Jiang (*Chief Executive Officer*)

Mr. Wu Lei (*Chief Financial Officer*)

Ms. Chen Jing

Non-Executive Directors

Mr. Kang Jian (*re-designated on 3 March 2020*)

Independent Non-Executive Directors

Mr. Chan Chi Ming, Tony

Mr. Wu Shiming

Mr. Liu Song

AUDIT COMMITTEE

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

Mr. Wu Shiming

Mr. Liu Song

REMUNERATION COMMITTEE

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

Mr. Wu Shiming

Mr. Liu Song

NOMINATION COMMITTEE

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

Mr. Wu Shiming

Mr. Liu Song

Corporate Information

AUTHORISED REPRESENTATIVES

Mr. Wu Lei

Ms. Chen Jing

COMPANY SECRETARY

Mr. Ho Yui Pang (*HKICPA, ACS*)

AUDITOR

ZHONGHUI ANDA CPA Limited

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18 Whitfield Road

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8 Connaught Place

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LEGAL ADVISERS ON HONG KONG LAW

Li & Partners

22/F, World Wide House

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REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Corporate Information

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3401-03, 34/F., China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Chiyu Banking Corporation Limited
Industrial Bank Co. Ltd.
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited
ING Bank N.V.
ABN AMRO BANK N.V.
Industrial and Commercial Bank of China Limited
Shanghai Pudong Development Bank Company Limited

PRINCIPAL SHARE REGISTRAR IN BERMUDA

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

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STOCK CODE

990

WEBSITE

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Condensed Consolidated Financial Statements

The board (the “**Board**”) of directors (the “**Directors**”) of Theme International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020 (“**Interim Period**”) together with the comparative figures for the corresponding period in 2019.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	3	7,854,938	2,528,757
Cost of sales		(7,606,702)	(2,363,512)
Gross profit		248,236	165,245
Other income, gain and loss		(30,011)	(11,050)
Selling and distribution expenses		(11,056)	(2,784)
Administrative expenses		(53,678)	(34,254)
Profit from operations		153,491	117,157
Finance costs	4(a)	(12,127)	(6,793)
Profit before taxation	4	141,364	110,364
Income tax	5	(13,013)	(22,091)
Profit for the period		128,351	88,273
Attributable to:			
– Owners of the Company		98,295	67,331
– Non-controlling interests		30,056	20,942
		128,351	88,273
Other comprehensive income/(loss):			
– Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		1,375	(221)
Other comprehensive income/(loss) for the period, net of tax		1,375	(221)
Total comprehensive income for the period		129,726	88,052
Attributable to:			
– Owners of the Company		99,670	67,110
– Non-controlling interests		30,056	20,942
		129,726	88,052
Earnings per share			
Basic and diluted	6	HK0.83 cents	HK0.80 cents

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

		30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
	Notes		
Non-current assets			
Property, plant and equipment	8	12,284	12,858
Right-of-use assets		20,885	25,205
		<u>33,169</u>	<u>38,063</u>
Current assets			
Inventories	9	907,616	2,078,632
Loan to customers	10	17,900	18,900
Trade and bills receivables and interest receivables	11	450,078	490,449
Accounts receivables	12	625,846	984,315
Prepayments, deposits and other receivables	13	311,317	190,589
Current tax receivable		—	4,105
Cash and bank balances	14	1,522,872	813,741
		<u>3,835,629</u>	<u>4,580,731</u>
Current liabilities			
Trade and bills payables	15	170,383	1,293,958
Trust receipt loans	16	560,435	625,266
Accounts payables	17	907,514	1,004,574
Contract liabilities		412,321	258,966
Accruals and other payables		20,062	49,836
Lease liabilities		9,098	9,024
Loan from a related party	18	247,916	—
Current tax payable		58,567	45,762
		<u>2,386,296</u>	<u>3,287,386</u>
Net current assets		<u>1,449,333</u>	<u>1,293,345</u>
Total assets less current liabilities		<u>1,482,502</u>	<u>1,331,408</u>

Condensed Consolidated Financial Statements

	30 June 2020	31 December 2019
	HK\$'000 (unaudited)	HK\$'000 (audited)
	Notes	
Non-current liabilities		
Lease liabilities	<u>12,713</u>	<u>17,241</u>
NET ASSETS	<u>1,469,789</u>	<u>1,314,167</u>
Capital and reserves		
Share capital	19 29,604	29,604
Reserves	<u>1,292,858</u>	<u>1,192,909</u>
Equity attributable to owners of the Company	<u>1,322,462</u>	1,222,513
Non-controlling interests	<u>147,327</u>	<u>91,654</u>
Total equity	<u>1,469,789</u>	<u>1,314,167</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company							Total equity
	Share capital	Share premium account	Capital reserve	Foreign currency translation reserve	Accumulated (losses)/ profits	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (audited)	19,736	690,231	2,665	(6,735)	(25,474)	680,423	44,739	725,162
Total comprehensive income for the period	–	–	–	(221)	67,331	67,110	20,942	88,052
Issue of new shares on rights issue (note 19)	9,868	384,029	–	–	–	393,897	–	393,897
At 30 June 2019 (unaudited)	<u>29,604</u>	<u>1,074,260</u>	<u>2,665</u>	<u>(6,956)</u>	<u>41,857</u>	<u>1,141,430</u>	<u>65,681</u>	<u>1,207,111</u>
At 1 January 2020 (audited)	29,604	1,074,215	2,665	(4,242)	120,271	1,222,513	91,654	1,314,167
Total comprehensive income for the period	–	–	–	1,375	98,295	99,670	30,056	129,726
Capital contribution received from non-controlling interests (note 20)	–	–	–	–	–	–	25,896	25,896
Disposal of interests in subsidiaries without loss of control (note 20)	–	–	279	–	–	279	(279)	–
At 30 June 2020 (unaudited)	<u>29,604</u>	<u>1,074,215</u>	<u>2,944</u>	<u>(2,867)</u>	<u>218,566</u>	<u>1,322,462</u>	<u>147,327</u>	<u>1,469,789</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Notes	(unaudited)	(unaudited)
Operating activities		
Cash from operations	5,758,583	1,919,377
Interest received	5,146	1,565
Overseas tax received/(paid)	4,105	(8,018)
	<u>5,767,834</u>	<u>1,912,924</u>
Investing activities		
Purchase of property, plant and equipment	8 (1,766)	(383)
Proceeds from voluntary liquidation of investment in an associate	—	38,220
Increase in restricted deposits	(546,255)	—
	<u>(548,021)</u>	<u>37,837</u>
Financing activities		
Net proceeds from issue of new shares on rights issue	—	393,897
Net proceeds from issue of new shares of subsidiaries to non-controlling interests	25,896	—
Payment of lease liabilities and finance costs	(4,454)	(1,790)
Proceeds from loan from a related party	247,916	—
Repayment of trust receipt loans	(5,694,854)	(1,865,875)
Interest paid	(12,127)	(6,758)
	<u>(5,437,623)</u>	<u>(1,480,526)</u>
Net (decrease)/increase in cash and cash equivalents		
	(217,810)	470,235
Cash and cash equivalents at beginning of the period	609,762	235,472
Effect of changes in foreign exchange rates	25,497	14,943
	<u>417,449</u>	<u>720,650</u>
Cash and cash equivalents at end of the period, represented by cash and bank balances		
	417,449	720,650
Analysis of cash and cash equivalents		
Cash and bank balances — General accounts	417,449	720,650

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

1. Basis of Preparation

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

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

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

This condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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

Condensed Consolidated Financial Statements

1. Basis of Preparation (Continued)

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

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

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); 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 period and prior years.

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.

Condensed Consolidated Financial Statements

3. Revenue and Segment Information

(a) Revenue

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Sales from trading of goods	7,117,350	2,045,459
Freight services	573,216	384,619
<i>Less: sales taxes and levies</i>	<i>(2,603)</i>	<i>(890)</i>
Commission income and brokerage fees from the provision of financial services	<u>27,230</u>	<u>20,457</u>
	<u>7,715,193</u>	<u>2,449,645</u>
Other Revenue		
Gain from derivative trading	138,236	78,564
Interest income from loans to customers	679	548
Interest income from customers' segregated accounts	<u>830</u>	<u>—</u>
	<u>139,745</u>	<u>79,112</u>
	<u>7,854,938</u>	<u>2,528,757</u>

Condensed Consolidated Financial Statements

3. Revenue and Segment Information (Continued)

(b) Segment information

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

During the period ended 30 June 2020, the Group's reportable and operating segments are as follows:

- Distribution and trading business — trading of bulk commodities and related products in Hong Kong, Singapore and the People's Republic of China (the "PRC"); and
- Financial services business — provision of loan financing services, securities and derivatives financial services, market making and margin financing in Hong Kong and Singapore.

Condensed Consolidated Financial Statements

3. 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:

For the six months ended 30 June 2020 (unaudited)

	Distribution and trading HK\$'000	Financial services HK\$'000	Total HK\$'000
Revenue	<u>7,687,963</u>	<u>166,975</u>	<u>7,854,938</u>
Segment profit	<u>95,429</u>	<u>59,104</u>	154,533
Finance costs	<u>(11,762)</u>	<u>(145)</u>	(11,907)
Unallocated other income, gain and loss			5,410
Corporate expenses and other finance costs			<u>(6,672)</u>
Profit before taxation			<u>141,364</u>

For the six months ended 30 June 2019 (unaudited)

	Distribution and trading HK\$'000	Financial services HK\$'000	Total HK\$'000
Revenue	<u>2,429,188</u>	<u>99,569</u>	<u>2,528,757</u>
Segment profit	<u>83,637</u>	<u>38,923</u>	122,560
Finance costs	<u>(6,758)</u>	<u>—</u>	(6,758)
Unallocated other income, gain and loss			1,238
Corporate expenses and other finance costs			<u>(6,676)</u>
Profit before taxation			<u>110,364</u>

Condensed Consolidated Financial Statements

3. 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 30 June 2020 (unaudited)

	Distribution and trading HK\$'000	Financial services HK\$'000	Total HK\$'000
Segment assets	2,526,160	1,329,324	3,855,484
Segment liabilities	838,851	936,426	1,775,277

As at 31 December 2019 (audited)

	Distribution and trading HK\$'000	Financial services HK\$'000	Total HK\$'000
Segment assets	3,234,597	1,345,159	4,579,756
Segment liabilities	1,595,871	1,025,444	2,621,315

Condensed Consolidated Financial Statements

3. Revenue and Segment Information (Continued)

(b) Segment information (Continued)

Geographical information:

Disaggregation of revenue from contracts with customers:

Segments	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Distribution and trading	Financial services	Total	Distribution and trading	Financial services	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Geographical markets						
Hong Kong	5,745	20,884	26,629	—	12,985	12,985
Singapore	3,568,295	6,346	3,574,641	1,224,051	7,472	1,231,523
The PRC	4,113,923	—	4,113,923	1,205,137	—	1,205,137
Revenue from contracts with customers	<u>7,687,963</u>	<u>27,230</u>	<u>7,715,193</u>	<u>2,429,188</u>	<u>20,457</u>	<u>2,449,645</u>
Major products/service						
Trading of bulk commodities	7,687,963	—	7,687,963	2,429,188	—	2,429,188
Commission income and brokerage fees	—	27,230	27,230	—	20,457	20,457
Total	<u>7,687,963</u>	<u>27,230</u>	<u>7,715,193</u>	<u>2,429,188</u>	<u>20,457</u>	<u>2,449,645</u>
Timing of revenue recognition						
At a point in time	<u>7,687,963</u>	<u>27,230</u>	<u>7,715,193</u>	<u>2,429,188</u>	<u>20,457</u>	<u>2,449,645</u>

Condensed Consolidated Financial Statements

4. Profit before Taxation

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging/(crediting):		
(a) Finance costs		
Bills discounting interest expenses and interest expenses on trust receipt loans	11,762	6,758
Lease liabilities	365	35
	12,127	6,793
(b) Other items		
Interest income on bank deposits	(5,146)	(1,565)
Depreciation		
— property, plant and equipment	2,547	769
— right-of-uses assets	4,480	1,640
Exchange loss, net	38,460	18,149
Directors' remuneration (note a)	3,118	4,842
Other staff costs (note b)	31,331	17,485

Notes:

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

Condensed Consolidated Financial Statements

5. Income Tax

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	365	—
Current tax — PRC Corporate Income Tax		
Provision for the period	—	5,520
Current tax — Singapore Corporate Income Tax		
Provision for the period	12,648	16,571
	13,013	22,091

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits in respect of the Group's operating entities in Hong Kong for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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. No provision for PRC income tax was made for the period ended 30 June 2020 as the subsidiary in the PRC has sufficient tax losses brought forward to set off against current period's assessable profit.

Singapore Corporate Income Tax is provided using the Singapore standard rate of income tax of 17% or the concession rate of 5% for the period ended 30 June 2020 (2019: concession rate of 10%). With the Global Trader Programme ("GTP") incentive awarded to Bright Point Trading Pte. Ltd., a wholly-owned subsidiary of the Company by the Inland Revenue Authority of Singapore with effect from 1 January 2017, certain qualified income generated during the period ended 30 June 2020 from the distribution and trading business of the Group has been charged at a tax concessionary rate of 5% (2019: 10%). Any other income not qualified for the GTP incentive has been charged at the standard rate of 17% during the period ended 30 June 2020.

Condensed Consolidated Financial Statements

6. Earnings per Share

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company was based on the profit for the period attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the period, as adjusted to reflect the rights issue during the corresponding period as further detailed in note 19.

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	98,295	67,331
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	11,841,345	8,467,390

Note: On 13 June 2019, the Company announced the completion of a rights issue of 3,947,114,877 rights shares at HK\$0.10 per rights share. As the Company's share market price immediately before the exercise of rights was higher than the rights subscription price, this gave rise to a bonus element in the rights issue to existing shareholders. Therefore earnings per share is calculated as if the bonus element (but not the total rights issue) arose proportionately at the start of the earliest period for which earnings per share is presented in accordance with the requirements under HKAS 33.

(b) Diluted earnings per share

There is no instrument with potential dilutive shares issued by the Company during the periods ended 30 June 2020 and 2019. Therefore the basic and diluted earnings per share for the respective periods are equal.

Condensed Consolidated Financial Statements

7. Interim Dividend

No dividends were paid, declared or proposed during the periods ended 30 June 2020 and 2019. The directors do not recommend the payment of an interim dividend in respect of the period ended 30 June 2020 (2019: Nil).

8. Movements in Property, Plant and Equipment

During the six months ended 30 June 2020, there was an addition of approximately HK\$1,766,000 to the Group's property, plant and equipment (six months ended 30 June 2019: HK\$383,000). No property, plant and equipment were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

9. Inventories

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Finished goods	907,616	2,078,632

10. Loan to Customers

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Loan to customers	23,290	24,290
Provision for impairment	(5,390)	(5,390)
	17,900	18,900

Condensed Consolidated Financial Statements

10. Loan to Customers (Continued)

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
At 1 January, 31 December 2019, 1 January 2020 (audited) and 30 June 2020 (unaudited)	5,390	5,390

The fixed-rate loans to customers of HK\$23,290,000 (31 December 2019: HK\$24,290,000) as at the end of interim period under the Group's loan financing services operation represent loan advances to three parties, represented 1 employee of the Group and 2 independent third parties (31 December 2019: 1 employee of the Group and 2 independent third parties). Save as the loan due from the employee of the Group is unsecured, the remaining loans are secured by personal guarantee. The interest rates for the loans to customers were ranging from 8% to 12% (31 December 2019: 8% to 12%) per annum.

The loans made available to customers depends on management's assessment of credit risk on the customers by evaluation on background check and repayment abilities. The Group determines the allowance of impaired debts based on the evaluation of collectability and aging analysis of accounts and on the management's judgment, including assessment of change of credit quality and the past collection history of each customer. At the end of reporting period, one of 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.

Condensed Consolidated Financial Statements

11. Trade and Bills Receivables and Interest Receivables

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trade and bills receivables	449,763	490,247
Interest receivables	<u>315</u>	<u>202</u>
	<u>450,078</u>	<u>490,449</u>

Trade and bills receivables as at the end of reporting period mainly represent receivables from trading customers and relevant bills issuing banks in relation to the sale of commodities. The majority of the Group's sales are on letter of credit or document against payment or cash on delivery. The remaining sales are with average credit period of 5 to 90 days (31 December 2019: 5 to 90 days).

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Not yet due or within 90 days	437,416	487,805
91–180 days	12,063	1,240
Over one year	<u>599</u>	<u>1,404</u>
	<u>450,078</u>	<u>490,449</u>

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

Condensed Consolidated Financial Statements

11. Trade and Bills Receivables and Interest Receivables (Continued)

In determining the recoverability of the trade and bills receivables and interest receivables, the Group considers any changes in the credit quality of the trade and bills receivables and interest receivables from the date credit was initially granted up to the end of the reporting period. Save as the interest receivables due from the loan to a customer as mentioned on note 10 to the condensed consolidated financial statements, the Directors consider that no allowance for bad and doubtful debts is required. No allowance for bad and doubtful debts are provided for trade receivables and bills receivables during the Interim Period and at the end of the reporting period.

12. Accounts Receivables

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Arising from the business of dealing in futures contracts:		
– Brokers and dealers		
– representing customer balances	599,766	973,549
– representing house balances	<u>24,128</u>	<u>9,300</u>
	<u>623,894</u>	<u>982,849</u>
Arising from financial services provided:		
– Customers	<u>1,952</u>	<u>1,466</u>
	<u>625,846</u>	<u>984,315</u>

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

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

Condensed Consolidated Financial Statements

13. Prepayments, Deposits and Other Receivables

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Prepayments and trade deposits	252,492	71,229
VAT receivables	46,892	93,570
Deposits and other receivables	11,933	25,790
	311,317	190,589

14. Cash and Bank Balances

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Cash at bank		
– General accounts	417,444	609,757
– Restricted deposits	552,732	6,477
– Trust and segregated accounts	552,691	197,502
Cash in hand	5	5
	1,522,872	813,741

The Group's restricted bank deposits represented deposits for securing banking facilities granted to the Group as set out in note 16 to the condensed consolidated financial statements.

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.

Condensed Consolidated Financial Statements

15. Trade and Bills Payables

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trade and bills payables	<u>170,383</u>	<u>1,293,958</u>

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 90 days	131,032	1,229,148
91–180 days	19,356	64,568
181–365 days	19,941	242
Over 1 year	54	—
	<u>170,383</u>	<u>1,293,958</u>

16. Trust Receipt Loans

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trust receipt loans — secured	<u>560,435</u>	<u>625,266</u>

The maturity of trust receipt loans is as follows:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Repayable on demand or within 1 year	<u>560,435</u>	<u>625,266</u>

Condensed Consolidated Financial Statements

16. Trust Receipt Loans (Continued)

Trust receipt loans at 30 June 2020 and 31 December 2019 are secured by:

- (i) guarantee by the beneficial owner of the Group;
- (ii) deed of charge and assignment; and
- (iii) restricted bank deposits.

The average effective interest rate per annum is as follows:

	30 June 2020 (unaudited)	31 December 2019 (audited)
Trust receipt loans	2.35%	2.21%

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

17. Accounts Payables

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Arising from the business of dealing in futures contracts	907,514	1,004,574

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

Condensed Consolidated Financial Statements

18. Loan from a related party

The loan is made from an entity connected to the ultimate controlling shareholder of the Company, and is unsecured, non-interest bearing and repayable on demand. The amount has been settled after the reporting period.

19. Share Capital

	Note	Number of ordinary shares of HK\$0.0025 each '000	HK\$'000
Authorised:			
At 1 January 2019 (audited),			
31 December 2019 (audited) and			
30 June 2020 (unaudited)		200,000,000	500,000
Issued and fully paid:			
At 1 January 2019 (audited)		7,894,230	19,736
Issue of new shares on rights issue	(i)	3,947,115	9,868
At 31 December 2019 (audited) and			
30 June 2020 (unaudited)		11,841,345	29,604

Note:

- (i) During the period ended 30 June 2019, a total 3,947,114,877 new ordinary shares of par value of HK\$0.0025 each of the Company were issued under a rights issue at HK\$0.10 per rights share with an aggregate consideration of approximately HK\$394,711,000, of which approximately HK\$9,868,000 was credited to share capital and the remaining balance of approximately HK\$384,029,000 (net of issuing expenses of approximately HK\$814,000) was credited to the share premium account. The rights issue was completed on 13 June 2019. Details of the rights issue are disclosed in the Company's announcements dated 3 May 2019 and 12 June 2019 and the Company's prospectus dated 21 May 2019.

Condensed Consolidated Financial Statements

20. Transactions with non-controlling interests

In March 2020, the Company issued 171 new shares of Theme International Trading SPC, the non-wholly-owned subsidiary of the Group, to a non-controlling interesting party at the consideration of US\$420,000 (or equivalent to approximately HK\$3,276,000). After the issue of new shares, the Company's interest in Theme International Trading SPC has decreased from 37.1% to 36.0%, and such transaction was deemed as a disposal of 1.1% interest in Theme International Trading SPC.

Also, in April 2020, the Company issued new shares of BPI Trading (SG) Pte Ltd, the non-wholly-owned subsidiary of the Group, to several parties, including the ultimate controlling shareholder of the Company, certain non-controlling interesting parties and other independent parties.

Under the new share placement, BPI Trading (SG) Pte Ltd issued 5,000,000 new shares to subscribers to increase its issued share capital from 1,000,000 shares to 6,000,000 shares, where the Company subscribed for 2,100,000 new shares and other parties subscribed for 2,900,000 new shares at the consideration of approximately US\$2,900,000 (or equivalent to approximately HK\$22,620,000). As a result of the issue of new shares, the Company's interest in BPI Trading (SG) Pte Ltd has decreased from 75% to 38.8%, and such transaction was deemed as a disposal of 36.2% interest in BPI Trading (SG) Pte Ltd.

	Six months ended 30 June 2020 HK\$'000
Consideration received from non-controlling interests	25,896
Carrying amount of non-controlling interests increases	25,617
	<hr/>
Gain on deemed disposals with equity	279
	<hr/>

Condensed Consolidated Financial Statements

21. Related Party Transactions

Except for the related party transactions disclosed elsewhere in the condensed 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 period:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Key management compensation		
Salaries, allowances and other benefits in kind	3,054	3,100
Bonuses	—	1,659
Retirement benefits scheme contributions	64	83
	<u>3,118</u>	<u>4,842</u>

Condensed Consolidated Financial Statements

21. Related Party Transactions (Continued)

Balances with related parties

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Accounts receivable from related party owned by the ultimate controlling shareholder of the Company	284	150
Accounts receivable from related party owned by a close family member of the ultimate controlling shareholder of the Company	—	398
Accounts payable to related party owned by a close family member of the ultimate controlling shareholder of the Company	796	—
Accounts receivable from related party owned by certain non-controlling interest parties	—	7
Accounts payable to related party owned by the ultimate controlling shareholder of the Company	198,655	144,998
Accounts payable to certain non-controlling interest parties	148,376	67,190
Loan and interest receivable from a non-controlling interest party who is also a director of certain subsidiaries of the Group	<u>4,214</u>	<u>4,050</u>

As at 30 June 2020, the Group had accounts receivable from related parties and accounts payable due to related parties which was arising from the Group's ordinary course of commodities and futures broking and derivatives dealing. Accounts receivable/payable from/to related parties are set at the same terms as those normally offered to third party clients.

Condensed Consolidated Financial Statements

21. Related Party Transactions (Continued)

Other transactions with related parties

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Brokerage and commission fee income from related party owned by the ultimate controlling shareholder of the Company	3,849	3,376
Brokerage and commission fee income from non-controlling shareholder of subsidiaries	9,554	5,548
Loan interest income from a non-controlling interest party who is a director of certain subsidiaries of the Group	164	—
Lease payment made to a related party owned by the ultimate controlling shareholder of the Company	2,811	—

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.

Condensed Consolidated Financial Statements

22. Capital Commitment

Details of the Group's capital commitment in respect of an investment in joint venture are as follows:

	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Capital expenditure contracted but not provided for in the financial statements in respect of unpaid balance of capital contributions to a joint venture	50,336	50,336

During the year ended 31 December 2019, the Company has incepted for a 15% investment in a joint venture named 天津東銘融資租賃有限公司 (the "JV") which has been incorporated in the People's Republic of China at the registered capital of Renminbi 300 million (equivalent to approximately of HK\$335.6 million) on 11 November 2019 for a period of thirty years. The JV will be engaging in finance leasing business.

23. Events after the Reporting Period

The Directors are not aware of any other significant events requiring disclosure that have taken place subsequent to 30 June 2020 and up to the date of this interim report.

24. Approval of Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 August 2020.

Management Discussion and Analysis

Theme International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in (i) trading of bulk commodities and related products in Hong Kong, Singapore and the PRC; and (ii) provision of loan financing services, securities and derivatives financial services, market making and margin financing in Hong Kong and Singapore.

Financial and Business Review

Revenue, profit for the period and basic earnings per share of the Group for the six months period ended 30 June 2020 and 2019 are summarised as follows:

	Revenue		Profit for the period		Basic earnings per share	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
From operations	<u>7,854,938</u>	<u>2,528,757</u>	<u>128,351</u>	<u>88,273</u>	<u>HK0.83 cents</u>	<u>HK0.80 cents</u>

The Group recorded a total revenue of approximately HK\$7,854,938,000 (2019: approximately HK\$2,528,757,000) for the six months period ended 30 June 2020 (the “Interim Period”) representing an increase of approximately 211% over the six months period ended 30 June 2019 (the “Corresponding Period”). Further analysis of the Group’s revenue in the Interim Period and Corresponding Period is as follows:

	Six months ended 30 June			
	2020		2019	
	Revenue HK\$'000	Sales Volume Tonnes (‘000)	Revenue HK\$'000	Sales Volume Tonnes (‘000)
<i>Products</i>				
Iron Ore	6,664,979	10,278	2,429,188	3,574
Other commodities (Note)	<u>1,022,984</u>		<u>—</u>	
Distribution and trading	7,687,963		2,429,188	
Financial Services	<u>166,975</u>		<u>99,569</u>	
	<u>7,854,938</u>		<u>2,528,757</u>	

Note: Other commodities mainly represent silver ingots and chrome ore.

Management Discussion and Analysis

The distribution and trading business contributed to the majority of the Group's revenue in the Interim Period. Iron ore trading represented the majority of the distribution and trading business. During the Interim Period, we also have other commodities trading such as silver ingots and chrome ore. Volume of iron ore traded in the Interim Period increased from approximately 3,574,000 tonnes in the Corresponding Period to approximately 10,278,000 tonnes in the Interim Period. Revenue from the distribution and trading business increased from approximately HK\$2,429,188,000 in the Corresponding Period to approximately HK\$7,687,963,000 in the Interim Period.

During the Interim Period, the Group recorded revenues from the provision of financial services approximately HK\$166,975,000 (2019: approximately HK\$99,569,000), mainly attributable to the market making of iron ore derivative market and provision of other financial services such as clearing and inter-dealer broking services. The increase in revenue during the Interim Period was due to the continuous development of the financial services segment and the volatility of the commodity prices in the Interim Period, which led to the increase in demand for commodity derivatives related financial services.

Gross profit of the Group also increased to approximately HK\$248,236,000 in the Interim Period from approximately HK\$165,245,000 in the Corresponding Period. The increases in gross profit were attributable to: (i) good business relationship that our Group has developed with our suppliers. Due to the excellent track record in the past few years, we were able to secure long term cooperation with several suppliers at favourable prices; (ii) the sharp increase in iron ore prices during Interim Period. Despite the outbreak of Covid-19, iron ore price remained strong, due to the strong demand in China and some disruptions in the global supply; and (iii) the impressive performance of the financial services segment, due to the continuous development and increased market volatility during the Interim Period.

Other loss of approximately HK\$30,011,000 (2019: approximately HK\$11,050,000) was incurred during the Interim Period, mainly due to the exchange loss of approximately HK\$38,460,000 arising from the depreciation of Renminbi ("RMB"). Cargoes sold by Shanghai trading desk were denominated in RMB.

Management Discussion and Analysis

Selling and distribution expenses of approximately HK\$11,056,000 (2019: approximately HK\$2,784,000) were incurred during the Interim Period, mainly attributable to the freight charges, port charges and agent fees paid when importing cargoes into China. The increase was mainly attributable to the increase in revenue from the distribution and trading business during the Interim Period.

Administrative expenses have increased from approximately HK\$34,254,000 in the Corresponding Period to approximately HK\$53,678,000 in the Interim Period. It was mainly attributable to the increase in staff cost as a result of the improvement in operating performance.

Finance costs of approximately HK\$12,127,000 (2019: approximately HK\$6,793,000) were incurred during the Interim Period for the factoring of the Group's trade receivables and for the settlement of interests arising from outstanding trust receipt loans. The increase was mainly due to the increased business activity from the distribution and trading business. We also considered that the slight adjustment the Group's leverage enabled the Group to further expand its distribution and trading business and maximize return on shareholders' capital.

Income tax expense decreased from approximately HK\$22,091,000 in the Corresponding Period to approximately HK\$13,013,000 in the Interim Period. The decrease in income tax expense was mainly attributable to the decrease in income tax provision in the PRC subsidiary which has sufficient tax losses brought forward to set off against current period's assessable profit.

The profit for the Interim Period attributable to owners of the Company increased from approximately HK\$67,331,000 in the Corresponding Period to approximately HK\$98,295,000 in the Interim Period. The increase in profit was mainly attributable to the increase in the gross profits aforementioned, where were partially set off by increases in other losses, selling and distribution expenses, administrative expenses and finance costs.

The Group recorded a basic earnings per share of approximately HK0.83 cents in the Interim Period as compared to a basic earnings per share of approximately HK0.80 cents in the Corresponding Period.

Management Discussion and Analysis

Future Prospects

The Group will focus on the continuing development of the financial services business and the distribution and trading business in 2020.

(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 lender's 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.

— 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.

Management Discussion and Analysis

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

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

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

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

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

(ii) Distribution and Trading

In the past few 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 demand 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 increased continuously in the PRC.

Management Discussion and Analysis

According to the PRC Custom statistics, imports of Iron ore reached 1,070 million tonnes in 2019, surpassing 1,000 million tonnes for the fourth consecutive year. The Group believes that there will still be strong demand for iron ores in 2020 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.

So far, the outbreak of Covid-19 has limited impact on Group's distribution and trading business. China has contained the outbreak quickly and effectively, hence the demand for iron ore remains strong in China, especially in the second quarter this year when China lifted the lock down internally. Although there was shrinkage in global demand (excluding China) for iron ore, it did not have significant effects on our business as the Group sold most of the iron ore to China. The outbreak also caused some disruptions in the global supply of iron ore, which sustained the strong iron ore prices.

Fund Raising Activities

The Company has not conducted any equity fund raising activities in the Interim Period and the period immediately prior to the date of this interim report.

Interim Dividends

The Directors do not recommend the payment of an interim dividend in respect of the period ended 30 June 2020 (2019: Nil).

Events after the Reporting Period

The Directors do not aware of any other significant events requiring disclosure that have taken place subsequent to 30 June 2020 and up to the date of this interim report.

Charges in Assets

Save for the restricted deposits of approximately HK\$552,732,000 (31 December 2019: approximately HK\$6,477,000), which were restricted for securing banking facilities granted to the Group in connection to the bills payables and trust receipt loans, none of the Group's assets was charged or subject to encumbrance as at 30 June 2020.

Contingent Liabilities

As at 30 June 2020, the Group had no material contingent liabilities.

Management Discussion and Analysis

Material Acquisitions and Disposals

During the period ended 30 June 2020, there is no material acquisition or disposal of subsidiaries, associates and joint ventures.

Share Capital

Details of movements in the share capital of the Company during the period ended 30 June 2020 are set out in note 19 to the condensed consolidated financial statements.

Reserves

Details of the movements in reserves of the Group during the period are set out in the condensed consolidated statement of changes in equity on page 8 of this interim report.

Principal Risks and Uncertainties

Commodities price risk

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

Exposure to fluctuation in exchange rates

The Group conducts its distribution and trading business in United States Dollars ("US\$") and Renminbi ("RMB"). Foreign currency exposure to US\$ is minimal, as the Hong Kong Dollars ("HK\$") is pegged to the US\$. The Group is exposed to fluctuation of transactions denominated in RMB. The Group monitors its exposure to foreign currency exchange risk on an ongoing basis.

Counterparty credit and performance risk

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

Management Discussion and Analysis

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

The Group's net current assets have improved to approximately HK\$1,449,333,000 (31 December 2019: approximately HK\$1,293,345,000), and net assets to approximately HK\$1,469,789,000 (31 December 2019: approximately HK\$1,314,167,000) respectively as at 30 June 2020. As at 30 June 2020, there were total loans and other borrowings of approximately HK\$808,351,000 outstanding (31 December 2019: approximately HK\$625,266,000).

As at 30 June 2020, the current ratio (as defined as current assets divided by current liabilities) was approximately 1.61 (31 December 2019: approximately 1.39) and the gearing ratio (as defined as loans and other borrowings divided by net assets) was approximately 0.55 (31 December 2019: 0.48).

As at 30 June 2020, the Group had an undrawn banking letter of credit limit totalling US\$437,810,000, equivalent to approximately HK\$3,414,918,000 (31 December 2019: US\$165,492,000, equivalent to approximately HK\$1,290,838,000).

Capital Expenditure and Capital Commitments

The total capital expenditure of the Group for the Interim Period was approximately HK\$1,529,000 (2019: Nil) for addition of leasehold improvements and approximately HK\$237,000 (2019: HK\$383,000) for addition of furniture, fixtures and other equipment.

As at 30 June 2020, the Group had no material capital expenditure commitments.

As at 30 June 2020, the Group had capital commitments of approximately HK\$50,336,000 in respect of an investment in a joint venture in the PRC.

Future Plan for Material Investments or Capital Assets

As at 30 June 2020, the Group does not have any other plan for material investments or capital assets.

Management Discussion and Analysis

Human Resources

As at 30 June 2020, the Group had 68 employees in total, consisting of 8 employees in Hong Kong, 49 employees in Singapore and 11 employees in the PRC. The remuneration committee of the Company and the Directors reviewed remuneration policies regularly. The structure of the remuneration packages would take into account the level and composition of pay and the general market conditions in the respective countries and businesses. Other than the competitive remuneration package offered to the employees, share options may also be granted to selected employees based on the Group's performance.

By Order of the Board

Wu Lei

Executive Director

Hong Kong, 28 August 2020

Other Information

Compliance with Corporate Governance Code

Save and except for Code Provisions A.2.1 and E.1.2 as detailed below, the Company has complied with all the Code Provisions and to a certain extent of the recommended best practices set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the period for the six months ended 30 June 2020.

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 the chairman of the Company on 1 April 2016, the role of chairman has been vacant. Mr. Kang Jian and Mr. Wu Lei, executive directors of the Company, temporarily acted as the role of chairman from 1 January 2020 to 2 March 2020 and with effective from 3 March 2020, respectively. Mr. Jiang Jiang has been the CEO of the Company throughout the Interim Period.

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. With effective from 3 March 2020, the position of chairman has been temporarily acted by Mr. Wu Lei, the executive director of the Company to fill the casual vacancy. Mr. Wu Lei has attended the annual general meeting held on 26 June 2020.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. The Company has made specific enquiries with all directors of the Company and each of them confirmed that they have complied with the Model Code during the six months period ended 30 June 2020.

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

During the six months period ended 30 June 2020, the Company has not redeemed any of its securities. Neither the Company nor any of its subsidiaries has purchased nor sold any of the Company’s securities during the six months period ended 30 June 2020.

Other Information

Audit Committee

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed the internal controls and financial reporting matters, including review of the unaudited interim financial results of the Group for the six months ended 30 June 2020.

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

As at 30 June 2020, none of the Directors and the chief executives of the Company or any of their spouses or children under eighteen years of age had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

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

As at 30 June 2019, so far as known to the Directors or the chief executives of the Company, the following person was the shareholder (other than the Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who was recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange.

Name of substantial shareholder	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital (note 2)
Mr. You Zhenhua (note 1)	Beneficial Owner	3,840,000	0.03%
	Interests of a controlled corporation	8,441,527,176 (note 1)	71.29%

Notes:

- These shares are held by Wide Bridge Limited ("**Wide Bridge**"). Mr. You indirectly holds 100% interest in Wide Bridge. According to SFO, Mr. You is deemed to be interested in the shares held by Wide Bridge.
- Based on the number of 11,841,344,631 shares of the Company in issue as at 30 June 2020.

Save as disclosed above, the Company has not been notified of any other persons who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 June 2020.

Other Information

Director's Rights To Acquire Securities

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

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

In the six months ended 30 June 2020 and up to the date of this report, pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the directors are as follows:

Mr. Kang Jian — resigned as vice chairman of the Company and be re-designated as a non-executive director of the Company with effect from 3 March 2020

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