

# T h e m e

Theme International Holdings Limited

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

## 2021

INTERIM REPORT





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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. Ding Lin (Note 1)

Mr. Wang Zhenhui (Note 2)

Mr. Kang Jian

### Independent Non-Executive Directors

Mr. Chan Chi Ming, Tony (Note 3)

Mr. Wu Shiming

Mr. Liu Song

Ms. Kent Shun Ming (Note 4)

## AUDIT COMMITTEE

Mr. Chan Chi Ming, Tony (*Chairman*) (Note 3)

Ms. Kent Shun Ming (*Chairlady*) (Note 4)

Mr. Wu Shiming

Mr. Liu Song (Note 5)

Mr. Ding Lin (Note 6)

## REMUNERATION COMMITTEE

Mr. Chan Chi Ming, Tony (*Chairman*) (Note 3)

Ms. Kent Shun Ming (*Chairlady*) (Note 4)

Mr. Wu Shiming

Mr. Liu Song

## NOMINATION COMMITTEE

Mr. Chan Chi Ming, Tony (*Chairman*) (Note 3)

Ms. Kent Shun Ming (*Chairlady*) (Note 4)

Mr. Wu Shiming

Mr. Liu Song

Notes:

- (1) Appointed on 21 May 2021
- (2) Appointed on 21 July 2021
- (3) Resigned on 28 August 2021
- (4) Appointed on 28 August 2021
- (5) Ceased to act as a member on 28 August 2021
- (6) Appointed to act as a member on 28 August 2021

## Corporate Information

### **AUTHORISED REPRESENTATIVES**

Mr. Wu Lei

Ms. Chen Jing

### **COMPANY SECRETARY**

Mr. Ho Yui Pang (*HKICPA, 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

## 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  
Hamilton HM11  
Bermuda

### BRANCH SHARE REGISTRAR & TRANSFER AGENT IN HONG KONG

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

### STOCK CODE

990

### WEBSITE

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

# Condensed Consolidated Financial Statements

The board (the “**Board**”) of directors (the “**Directors**”) of Theme International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 (“**Interim Period**”) together with the comparative figures for the corresponding period in 2020.

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

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3	18,339,059	7,854,938
Cost of sales		(17,518,657)	(7,606,702)
Gross profit		820,402	248,236
Other income, gain and loss		13,166	(30,011)
Selling and distribution expenses		(4,213)	(11,056)
Administrative expenses		(91,225)	(53,678)
Profit from operations		738,130	153,491
Finance costs	4(a)	(2,308)	(12,127)
Profit before taxation	4	735,822	141,364
Income tax	5	(73,704)	(13,013)
Profit for the period		662,118	128,351
Attributable to:			
– Owners of the Company		601,935	98,295
– Non-controlling interests		60,183	30,056
		662,118	128,351
Other comprehensive income:			
– Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		539	1,375
Other comprehensive income for the period, net of tax		539	1,375
Total comprehensive income for the period		662,657	129,726
Attributable to:			
– Owners of the Company		602,474	99,670
– Non-controlling interests		60,183	30,056
		662,657	129,726
Earnings per share			
Basic and diluted	6	HK4.85 cents	HK0.83 cents

# Condensed Consolidated Financial Statements

## Condensed Consolidated Statement of Financial Position

As at 30 June 2021

		30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
	Notes		
Non-current assets			
Property, plant and equipment	8	54,476	10,503
Right-of-use assets		11,916	16,537
Loans to customers	11	9,900	1,000
Goodwill	21	2,066	—
Investment in an associate	9	144,300	—
		<u>222,658</u>	<u>28,040</u>
Current assets			
Inventories	10	753,079	766,573
Loans to customers	11	23,741	16,782
Trade and bills receivables and interest receivables	12	1,815,215	1,032,014
Accounts receivables	13	1,620,642	1,142,749
Financial assets at fair value through profit or loss		5,083	2,571
Derivative instruments	17	559,560	192,578
Prepayments, deposits and other receivables	14	1,731,337	107,482
Current tax receivable		2,350	2,478
Cash and bank balances	15	2,072,642	720,155
		<u>8,583,649</u>	<u>3,983,382</u>
Current liabilities			
Trade and bills payables	16	1,022,353	498,142
Accounts payables	18	1,568,089	1,015,171
Contract liabilities		619,897	161,205
Accruals and other payables		54,602	34,303
Derivative instruments	17	811,752	392,110
Lease liabilities		10,534	9,435
Current tax payable		97,707	51,684
Loan from a connected party	19	1,257,816	—
		<u>5,442,750</u>	<u>2,162,050</u>
<b>Net current assets</b>		<u>3,140,899</u>	<u>1,821,332</u>
<b>Total assets less current liabilities</b>		<u>3,363,557</u>	<u>1,849,372</u>

# Condensed Consolidated Financial Statements

		<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Lease liabilities		2,035	7,943
Deferred tax liabilities		<u>1,628</u>	<u>—</u>
		<u>3,663</u>	<u>7,943</u>
<b>NET ASSETS</b>		<u><b>3,359,894</b></u>	<u>1,841,429</u>
Capital and reserves			
Share capital	20	33,678	29,604
Reserves		<u>3,045,955</u>	<u>1,640,190</u>
Equity attributable to owners of the Company		<u>3,079,633</u>	1,669,794
Non-controlling interests		<u>280,261</u>	<u>171,635</u>
Total equity		<u><b>3,359,894</b></u>	<u>1,841,429</u>



# Condensed Consolidated Financial Statements

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company							Total equity
	Share capital	Share premium account	Capital reserve	Foreign currency translation reserve	Accumulated profits	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2020 (audited)</b>	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	–	–	–	–	–	–	25,896	25,896
Disposal of interests in subsidiaries without loss of control	–	–	279	–	–	279	(279)	–
<b>At 30 June 2020 (unaudited)</b>	<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>
<b>At 1 January 2021 (audited)</b>	29,604	1,074,215	2,944	(3,217)	566,248	1,669,794	171,635	1,841,429
Total comprehensive income for the period	–	–	–	539	601,935	602,474	60,183	662,657
Issue of new shares (note 20)	4,074	803,291	–	–	–	807,365	–	807,365
Capital contribution received from non-controlling interests	–	–	–	–	–	–	33,587	33,587
Disposal of interests in a subsidiary without loss of control	–	–	(737)	–	–	(737)	737	–
Non-controlling interests arising on the acquisition of subsidiary (note 21)	–	–	–	–	–	–	14,856	14,856
<b>At 30 June 2021 (unaudited)</b>	<u>33,678</u>	<u>1,877,506</u>	<u>2,207</u>	<u>(2,678)</u>	<u>1,168,183</u>	<u>3,078,896</u>	<u>280,998</u>	<u>3,359,894</u>

# Condensed Consolidated Financial Statements

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Operating activities</b>		
Cash from operations	1,616,698	5,758,583
Interest received	1,498	5,146
Overseas tax (paid)/received	(27,786)	4,105
<b>Net cash generated from operating activities</b>	<u>1,590,410</u>	<u>5,767,834</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,045)	(1,766)
Investment in an associate	(144,300)	—
Decrease/(increase) in restricted deposits	18,635	(546,255)
Net cash outflow on acquisition of a subsidiary	(31,698)	—
<b>Net cash used in investing activities</b>	<u>(158,408)</u>	<u>(548,021)</u>
<b>Financing activities</b>		
Proceeds from issue of new shares on general mandate	807,365	—
Proceeds from capital injection by non-controlling interest parties in subsidiaries	33,587	25,896
Payment of lease liabilities	(4,809)	(4,454)
Proceeds from loan from a connected party	1,257,816	247,916
Repayment of trust receipt loans	(2,444,708)	(5,694,854)
Interest paid	(2,308)	(12,127)
<b>Net cash used in financing activities</b>	<u>(353,057)</u>	<u>(5,437,623)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>1,078,945</u>	<u>(217,810)</u>
Cash and cash equivalents at beginning of the period	304,706	609,762
Effect of changes in foreign exchange rates	605	25,497
<b>Cash and cash equivalents at end of the period, represented by cash and bank balances</b>	<u>1,384,256</u>	<u>417,449</u>
<b>Analysis of cash and cash equivalents</b>		
<b>Cash and bank balances</b>	<u>1,384,256</u>	<u>417,449</u>

# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30 June 2021*

### 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 2020 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 2020.

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 2020 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 2021. 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:

	<b>Six months ended 30 June</b>	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Revenue from contracts with customers</b>		
Sales from trading of goods	<b>18,104,313</b>	7,690,566
<i>Less: sales taxes and levies</i>	<b>(1,874)</b>	(2,603)
Commission income and brokerage fees from the provision of financial services	<b>36,521</b>	27,230
	<b>18,138,960</b>	7,715,193
<b>Other Revenue</b>		
Gain from derivative trading	<b>198,189</b>	138,236
Interest income from loans to customers	<b>457</b>	679
Interest income from customers' segregated accounts	<b>1,453</b>	830
	<b>200,099</b>	139,745
Total revenue	<b>18,339,059</b>	7,854,938

# 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 2021, the Group's reportable and operating segments are as follows:

- Distribution, trading and processing business — distribution, trading and processing 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 securities and derivatives financial services, margin financing and fund management 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 2021 (unaudited)*

	Distribution, trading and processing HK\$'000	Financial services HK\$'000	Total HK\$'000
Revenue	<u>18,102,439</u>	<u>236,620</u>	<u>18,339,059</u>
Segment profit	<u>654,839</u>	<u>82,823</u>	737,662
Finance costs	<u>(1,134)</u>	<u>(940)</u>	(2,074)
Unallocated other income, gain and loss			4,740
Corporate expenses and other finance costs			<u>(4,506)</u>
Profit before taxation			<u>735,822</u>

# Condensed Consolidated Financial Statements

## 3. Revenue and Segment Information (Continued)

### (b) Segment information (Continued)

Segment information and results: (Continued)

For the six months ended 30 June 2020 (unaudited)

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



## 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 2021 (unaudited)*

	Distribution, trading and processing HK\$'000	Financial services HK\$'000	Total HK\$'000
Segment assets	<u>5,682,519</u>	<u>2,964,092</u>	<u>8,646,611</u>
Segment liabilities	<u>2,953,398</u>	<u>2,389,196</u>	<u>5,342,594</u>

##### *As at 31 December 2020 (audited)*

	Distribution, trading and processing HK\$'000	Financial services HK\$'000	Total HK\$'000
Segment assets	<u>2,177,096</u>	<u>1,821,828</u>	<u>3,998,924</u>
Segment liabilities	<u>691,508</u>	<u>1,417,866</u>	<u>2,109,374</u>

# 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 2021			Six months ended 30 June 2020		
	Distribution, trading and processing HK\$'000 (unaudited)	Financial services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Distribution, trading and processing HK\$'000 (unaudited)	Financial services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Geographical market</b>						
Hong Kong	—	25,941	25,941	5,745	20,884	26,629
Singapore	15,994,409	10,580	16,004,989	3,568,295	6,346	3,574,641
The PRC	2,108,030	—	2,108,030	4,113,923	—	4,113,923
Revenue from contracts with customers	<u>18,102,439</u>	<u>36,521</u>	<u>18,138,960</u>	<u>7,687,963</u>	<u>27,230</u>	<u>7,715,193</u>
<b>Major products/service</b>						
Trading of bulk commodities	18,102,439	—	18,102,439	7,687,963	—	7,687,963
Commission income and brokerage fees	—	36,521	36,521	—	27,230	27,230
Total	<u>18,102,439</u>	<u>36,521</u>	<u>18,138,960</u>	<u>7,687,963</u>	<u>27,230</u>	<u>7,715,193</u>
<b>Timing of revenue recognition</b>						
At a point in time	<u>18,102,439</u>	<u>36,521</u>	<u>18,138,960</u>	<u>7,687,963</u>	<u>27,230</u>	<u>7,715,193</u>

# Condensed Consolidated Financial Statements

## 4. Profit before Taxation

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit before taxation has been arrived at after charging/(crediting):		
(a) Finance costs		
Bills discounting interest expenses and interest expenses on trust receipt loans	2,074	11,762
Lease liabilities	<u>234</u>	<u>365</u>
	<u><b>2,308</b></u>	<u><b>12,127</b></u>
(b) Other items		
Hedging gains on distribution, trading and processing business	<b>(119,608)</b>	—
Interest income on bank deposits	<b>(1,498)</b>	(5,146)
Depreciation		
— property, plant and equipment	<b>2,564</b>	2,547
— right-of-uses assets	<b>4,651</b>	4,480
Exchange (gains)/loss, net	<b>(12,674)</b>	38,460
Directors' remuneration (note a)	<b>3,226</b>	3,118
Other staff costs (note b)	<u><b>68,455</b></u>	<u><b>31,331</b></u>

Notes:

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

# Condensed Consolidated Financial Statements

## 5. Income Tax

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current tax — Hong Kong Profits Tax		
Provision for the period	<b>267</b>	365
Current tax — PRC Corporate Income Tax		
Provision for the period	<b>29,399</b>	—
Current tax — Singapore Corporate Income Tax		
Provision for the period	<b>44,038</b>	12,648
	<b>73,704</b>	13,013

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits in respect of the Group's operating entities in Hong Kong for the Interim Period, 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 Interim Period based on existing legislation, interpretations and practices in respect thereof. No provision for PRC income tax was made for the six month period ended 30 June 2020 as the subsidiaries in the PRC have sufficient tax losses brought forward to set off against the corresponding period's assessable profit.

Singapore Corporate Income Tax is provided using the Singapore standard rate of income tax of 17% (2020: 17%) or the concession rate of 5% (2020: 5%) for the Interim Period. 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 and further revised in late 2019, certain qualified income generated during the Interim Period from the distribution and trading business of the Group has been charged at a tax concessionary rate of 5% (2020: 5%). Any other income not qualified for the GTP incentive has been charged at the standard rate of 17% (2020: 17%) during the Interim Period.

## 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 issue of new shares under General Mandate during the corresponding period as further detailed in note 20.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Profit:</b>		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>601,935</u>	<u>98,295</u>
	'000	'000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>12,417,698</u>	<u>11,841,345</u>

#### (b) Diluted earnings per share

There is no instrument with potential dilutive shares issued by the Company during the periods ended 30 June 2021 and 2020. Therefore, the basic and diluted earnings per share for the respective periods are equal.

### 7. Interim Dividend

No dividends were paid, declared or proposed during the periods ended 30 June 2021 and 2020. The directors do not recommend the payment of an interim dividend in respect of the period ended 30 June 2021 (2020: Nil).

# Condensed Consolidated Financial Statements

## 8. Movements in Property, Plant and Equipment

During the six months ended 30 June 2021, there was an addition of approximately HK\$46,400,000 to the Group's property, plant and equipment (six months ended 30 June 2020: HK\$1,766,000). No property, plant and equipment were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 9. Investment in An Associate

It represented the investment in an associate of 40% of 連雲港恆鑫通礦業有限公司 (Lianyungang Hengxintong Mining Co., Ltd.\*) during the period ended 30 June 2021. The principal place of business and place of incorporation of the associate are in the PRC and it is engaged in processing and sales of mineral products and commodities.

## 10. Inventories

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Finished goods	<b>753,079</b>	766,573

## 11. Loans to Customers

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Loans to customers	<b>42,731</b>	26,872
Provision for impairment	<b>(9,090)</b>	(9,090)
	<b>33,641</b>	17,782
Analysed as:		
Current assets	<b>23,741</b>	16,782
Non-current assets	<b>9,900</b>	1,000
	<b>33,641</b>	17,782

## Condensed Consolidated Financial Statements

### 11. Loans to Customers (Continued)

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

	<b>1/1/2021 to 30/6/2021 HK\$'000 (unaudited)</b>	1/1/2020 to 31/12/2020 HK\$'000 (audited)
Balance b/f	<b>9,090</b>	5,390
Provision for impairment recognised during the period/year	<b>—</b>	3,700
Balance c/f	<b>9,090</b>	9,090

The fixed-rate loans to customers of HK\$42,731,000 (31 December 2020: HK\$26,872,000) as at the end of reporting period under the Group's loan financing services operation compose of loan advances to three parties, represented 1 employee of the Group and 2 independent third parties and the treasury making through National Debt Reverse Repurchase in the securities brokers (31 December 2020: 1 employee of the Group and 2 independent third parties and the treasury making through National Debt Reverse Repurchase in the securities brokers). Save as the loan due from the employee of the Group which is unsecured, the remaining loans are secured by personal guarantee or the National Debt. The interest rates for the loans to customers were ranging from 4% to 12% (2020: 4% 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, two of the loans had been past due and their collectabilities were uncertain despite the series of chasing actions conducted by the Group. Accordingly, an allowance had been made for estimated irrecoverable loan of HK\$9,090,000 (31 December 2020: HK\$9,090,000).

# Condensed Consolidated Financial Statements

## 12. Trade and Bills Receivables and Interest Receivables

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Trade and bills receivables	<b>1,815,064</b>	1,031,815
Interest receivables	<b>151</b>	199
	<b><u>1,815,215</u></b>	<u>1,032,014</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 30 to 90 days (31 December 2020: 30 to 90 days).

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

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Not yet due or within 90 days	<b><u>1,815,215</u></b>	<u>1,032,014</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

### 12. Trade and Bills Receivables and Interest Receivables (Continued)

In determining the recoverability of the trade and bills receivables and interest receivables, the Group considers any changes in the credit quality of the trade and bills receivables and interest receivables from the date credit was initially granted up to the end of the reporting period. Save as the interest receivables due from the loans to customers as mentioned on note 11 to the condensed consolidated financial statements, the Directors consider that no allowance for bad and doubtful debts is required. No allowance for bad and doubtful debts are provided for trade receivables and bills receivables during the Interim Period and at the end of the reporting period.

### 13. Accounts Receivables

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Arising from the business of dealing in futures contracts:		
– Brokers and dealers		
– representing customer balances	<b>1,157,357</b>	748,736
– representing house balances	<b>461,259</b>	390,851
	<b><u>1,618,616</u></b>	<u>1,139,587</u>
Arising from financial services provided:		
– Customers	<b><u>2,026</u></b>	<u>3,162</u>
	<b><u>1,620,642</u></b>	<u>1,142,749</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

## 14. Prepayments, Deposits and Other Receivables

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Prepayments and trade deposits (Note)	<b>1,667,963</b>	60,655
VAT receivables	<b>8,812</b>	2,065
Deposits and other receivables	<b>54,562</b>	44,762
	<b><u>1,731,337</u></b>	<u>107,482</u>

Note: It mainly represented the prepayment of deposits for the trading of goods.

## 15. Cash and Bank Balances

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Cash at bank		
– General accounts	<b>1,384,256</b>	304,706
– Restricted deposits	<b>66,963</b>	85,598
– Trust and segregated accounts	<b>621,423</b>	329,851
	<b><u>2,072,642</u></b>	<u>720,155</u>

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

### 16. Trade and Bills Payables

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Trade and bills payables	<b>1,022,353</b>	498,142

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

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Within 90 days	<b>1,016,081</b>	486,491
91–180 days	<b>5,150</b>	9,182
181–365 days	<b>720</b>	1,992
Over 1 year	<b>402</b>	477
	<b>1,022,353</b>	498,142

### 17. Derivative Instruments

	Contract/ Notional amount 30 June 2021 HK\$'000 (unaudited)	Assets 30 June 2021 HK\$'000 (unaudited)	Liabilities 30 June 2021 HK\$'000 (unaudited)	Contract/ Notional amount 31 December 2020 HK\$'000 (audited)	Assets 31 December 2020 HK\$'000 (audited)	Liabilities 31 December 2020 HK\$'000 (audited)
Future contracts						
– Sales	10,459,227	32,539	(725,339)	3,208,147,338	93,681	(225,737)
– Purchases	9,632,200	527,021	(86,413)	4,557,356	98,897	(166,373)
Total derivative instruments		<b>559,560</b>	<b>(811,752)</b>		<b>192,578</b>	<b>(392,110)</b>

# Condensed Consolidated Financial Statements

## 18. Accounts Payables

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Arising from the business of dealing in futures contracts	<u>1,568,089</u>	<u>1,015,171</u>

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

## 19. Loan from a Connected 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.

# Condensed Consolidated Financial Statements

## 20. Share Capital

	Note	Number of ordinary shares of HK\$0.0025 each '000	HK\$'000
Authorised:			
At 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)		<u>200,000,000</u>	<u>500,000</u>
Issued and fully paid:			
At 1 January 2020 (audited) and 31 December 2020 (audited)		11,841,345	29,604
First issue of new shares under General Mandate	(i)	815,000	2,037
Second issue of new shares under General Mandate	(ii)	<u>815,000</u>	<u>2,037</u>
At 30 June 2021 (unaudited)		<u>13,471,345</u>	<u>33,678</u>

Note:

- (i) For the first issue of new shares under General Mandate, on 25 February 2021, a total 815,000,000 new ordinary shares of par value of HK\$0.0025 each of the Company were issued at HK\$0.241 per subscription share with an aggregate consideration of approximately HK\$196,415,000, of which approximately HK\$2,037,500 was credited to share capital and the remaining balance of approximately HK\$194,277,500 (net of issuing expenses of approximately HK\$100,000) was credited to the share premium account. The first issue of new shares under General Mandate was completed on 25 February 2021. For details, please refer to the announcements of the Company dated 20 January 2021, 22 January 2021, 25 January 2021 and 25 February 2021.

# Condensed Consolidated Financial Statements

## 20. Share Capital (Continued)

Note: (Continued)

- (ii) For the second issue of new shares under General Mandate, on 29 June 2021, a total 815,000,000 new ordinary shares of par value of HK\$0.0025 each of the Company were issued at HK\$0.75 per subscription share with an aggregate consideration of approximately HK\$611,250,000, of which approximately HK\$2,037,500 was credited to share capital and the remaining balance of approximately HK\$609,012,500 (net of issuing expenses of approximately HK\$200,000) was credited to the share premium account. The second issue of new shares under General Mandate was completed on 29 June 2021. For details, please refer to the announcements of the Company dated 31 May 2021 and 29 June 2021.

## 21. Acquisition of Subsidiary and Business Combination

**Acquisition of 山東鑫盛達礦業有限公司 (Shandong Xinshengda Mining Co., Ltd.) ("Shandong Xinshengda")**

During the period ended 30 June 2021, the Group acquired 67% equity interest in Shandong Xinshengda at an aggregated cash consideration of RMB26,800,000 (equivalent to approximately HK\$32,227,000). Shandong Xinshengda is a company established in the PRC with limited liability and is principally engaged in separation processing, primary processing and sales of mineral products and commodities such as iron ore.

## Condensed Consolidated Financial Statements

### 21. Acquisition of Subsidiary and Business Combination (Continued)

Acquisition of 山東鑫盛達礦業有限公司 (Shandong Xinshengda Mining Co., Ltd.)  
("Shandong Xinshengda") (Continued)

The fair value of identifiable assets and liabilities at the date of acquisition is as follows:

	HK\$'000
Property, plant and equipment	45,355
Inventories	552
Deposits, prepayments and other receivables	3,910
Cash and cash equivalents	529
Trade and other payables	(3,701)
Deferred tax liabilities	(1,628)
	<hr/>
Total net assets	45,017
	<hr/>

	HK\$'000
<b>Goodwill arising on acquisition</b>	
Consideration	32,227
Add: non-controlling interests	14,856
Less: Net assets acquired	(45,017)
	<hr/>
Goodwill	2,066
	<hr/>

Goodwill arising from the acquisition was attributable to the benefit of the anticipated profitability and future development of the distribution, trading and processing business. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

	HK\$'000
<i>Net cash outflow on acquisition of Shandong Xinshengda</i>	
Consideration satisfied by:	
Cash paid	(32,227)
Less: cash and cash equivalents acquired	529
	<hr/>
	(31,698)
	<hr/>

# Condensed Consolidated Financial Statements

## 22. 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	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Key management compensation</b>		
Salaries, allowances and other benefits in kind	3,180	3,054
Retirement benefits scheme contributions	46	64
	<u>3,226</u>	<u>3,118</u>

### Balances with related parties

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Accounts receivable from related party owned by the ultimate controlling shareholder of the Company	12	15
Accounts payable to related party owned by a close family member of the ultimate controlling shareholder of the Company	398	398
Accounts payable to related party owned by the ultimate controlling shareholder of the Company	190,085	156,950
Accounts payable to certain non-controlling interest parties	108,346	62,577
Loan and interest receivable from a non-controlling interest party who is also a director of certain subsidiaries of the Group	<u>4,215</u>	<u>4,051</u>

As at 30 June 2021, the Group had accounts receivable from related parties and accounts payable due to related parties which were 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

### 22. Related Party Transactions (Continued)

#### Other transactions with related parties

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Brokerage and commission fee income from related party owned by the ultimate controlling shareholder of the Company	3,618	3,849
Brokerage and commission fee income from non-controlling shareholder of subsidiaries	6,388	9,554
Loan interest income from a non-controlling interest party who is a director of certain subsidiaries of the Group	164	164
Lease payment made to a related party owned by the ultimate controlling shareholder of the Company	2,981	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.

### 23. Capital Commitments

During the period ended 30 June 2021, the Group signed an agreement for the increase in capital contribution of 連雲港恆鑫通礦業有限公司 (Lianyungang Hengxintong Mining Co., Ltd.\*) (an associate of the Company). The Group agreed to make further capital commitment totaling RMB32,000,000 (equivalent to approximately HK\$38,480,000) for the investment in associate of 連雲港恆鑫通礦業有限公司 (Lianyungang Hengxintong Mining Co., Ltd.\*), which was made on pro-rata basis among existing shareholders.

# Condensed Consolidated Financial Statements

## 24. Events after the Reporting Period

On 28 July 2021, 競點（福建）國際貿易有限公司 (Jing Dian Fujian International Co., Ltd.)\* (“**Jingdian (Fujian)**”), an indirect wholly-owned subsidiary of the Company, entered into a share transfer agreement with 王豐奇 (Wang Fengqi) (“**Seller**”), pursuant to which, the Seller has agreed to sell, and Jingdian (Fujian) has agreed to acquire, 60% of the entire issued share capital in 大鵬礦業有限公司 (Dapeng Mining Co., Ltd.)\*, at a consideration of RMB60 million. For details, please refer to the announcement of the Company dated 28 July 2021.

On 12 August 2021, the Company entered into three continuing connected transactions, including (i) the Master Sale and Purchase Agreement I with Mr. You Zhenhua in relation to the purchase and supply of iron ore, steel products and nickel ore in Singapore; (ii) the Master Sale and Purchase Agreement II with Mr. You Zhenwu in relation to the purchase and supply of iron ore, steel products and nickel ore, and the provision of the processing services by the Group in the PRC; (iii) the Logistic Services Framework Agreement with Mr. You Zhenwu, in relation to the provision of the logistic services to the Group. For details, please refer to the announcement of the Company dated 12 August 2021.

On 20 August 2021, 億皇國際有限公司 (King Topwell International Limited)\* (“**King Topwell**”), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (“**Joint Venture Agreement**”) with 中天鋼鐵集團有限公司 (Zenith Steel Group Co., Ltd.)\* (“**Zenith Steel**”), 山西晉南鋼鐵集團有限公司 (Shanxi Jinnan Iron and Steel Group Co., Ltd.)\* (“**Shanxi Jinnan**”) and 永鋒集團有限公司 (Yongfeng Group Co., Ltd.)\* (“**Yongfeng Group**”), for the formation of a joint venture in PRC (“**Joint Venture**”). The registered capital of the Joint Venture is expected to be RMB1,000 million. Pursuant to the Joint Venture Agreement, the Joint Venture shall be, after its formation, owned as to 51% by the Company, 20% by Zenith Steel, and 20% by Shanxi Jinnan and 9% by Yongfeng Group. For details, please refer to the announcement of the Company dated 20 August 2021.

Save as above, the Directors are not aware of any other significant events requiring disclosure that have taken place subsequent to 30 June 2021 and up to the date of this interim report.

## 25. Approval of Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 August 2021.

\* For identification purposes only

## Management Discussion and Analysis

Theme International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in (i) distribution, trading and processing of bulk commodities and related products in Hong Kong, Singapore and the PRC; and (ii) provision of securities and derivatives financial services, margin financing and fund management 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 2021 and 2020 are summarised as follows:

	Revenue		Profit for the period		Basic earnings per share	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021	2020
From operations	<u>18,339,059</u>	<u>7,854,938</u>	<u>662,118</u>	<u>128,351</u>	<u>HK4.85 cents</u>	<u>HK0.83 cents</u>

The Group recorded a total revenue of approximately HK\$18,339,059,000 (2020: approximately HK\$7,854,938,000) for the six months period ended 30 June 2021 (the “Interim Period”) representing an increase of approximately 133% over the six months period ended 30 June 2020 (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	
	2021 Revenue HK\$'000	2020 Revenue HK\$'000
<i>Products</i>		
Iron Ore	<u>8,540,583</u>	<u>6,664,979</u>
Silver ingots and gold	<u>8,086,334</u>	<u>563,232</u>
Other commodities (Note)	<u>1,475,522</u>	<u>459,752</u>
Distribution, trading and processing	<u>18,102,439</u>	<u>7,687,963</u>
Financial Services	<u>236,620</u>	<u>166,975</u>
	<u>18,339,059</u>	<u>7,854,938</u>

Note: Other commodities mainly represent steel products, nickel ore and chrome ore, etc.

## Management Discussion and Analysis

The distribution, trading and processing 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 and gold ingots, chrome ore, nickel ore and steel products. Revenue from the distribution, trading and processing business increased from approximately HK\$7,687,963,000 in the Corresponding Period to approximately HK\$18,102,439,000 in the Interim Period. The increase in sales was mainly due to the increase in sales of commodities, including iron ore, steel products, chrome ore and nickel ore, due to China's success in combating the COVID-19 and recovery of the economy, and the increase in sales of trading business of silver ingots and gold during the Interim Period. Such trading business was still in the beginning stage in the Corresponding Period.

During the Interim Period, the Group recorded revenues from the provision of financial services approximately HK\$236,620,000 (2020: approximately HK\$166,975,000). The increase in revenue during the Interim Period was due to the stable development of the financial services segment, which led to the increase in demand for commodity-related derivatives financial services.

Gross profit of the Group also increased to approximately HK\$820,402,000 in the Interim Period from approximately HK\$248,236,000 in the Corresponding Period. The increase in gross profit was attributable to: (i) the good performance of the distribution, trading and processing business, mainly due to China's success in combating the COVID-19 and recovery of the economy; and (ii) the stable development of the Group's financial services business segment.

Other gain of approximately HK\$13,166,000 (2020: other loss of approximately HK\$30,011,000) was incurred during the Interim Period, mainly due to the exchange gain of approximately HK\$12,674,000 arising mostly from the fluctuation of USD/CNY exchange rate. Cargoes sold by Shanghai trading desk were denominated in CNY.

Selling and distribution expenses of approximately HK\$4,213,000 (2020: approximately HK\$11,056,000) were incurred during the Interim Period, mainly attributable to the freight charges, port charges and agent fees paid when importing cargoes into China. The decrease was mainly due to the decrease in revenue from the distribution, trading and processing business in subsidiaries in China during the Interim Period.

## Management Discussion and Analysis

Administrative expenses have increased from approximately HK\$53,678,000 in the Corresponding Period to approximately HK\$91,225,000 in the Interim Period. It was mainly attributable to the increase in staff cost as a result of the good operating performance.

Finance costs of approximately HK\$2,308,000 (2020: approximately HK\$12,127,000) 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 decrease was mainly due to the facts that banks have tightened their credit control amid the COVID-19 pandemic and that one of the Group's sponsor banks fully exited commodity financing business in Asia in 2021.

Income tax expense increased from approximately HK\$13,013,000 in the Corresponding Period to approximately HK\$73,704,000 in the Interim Period, which is in line with the increase in profits.

The profit for the Interim Period attributable to owners of the Company increased from approximately HK\$98,295,000 in the Corresponding Period to approximately HK\$601,935,000 in the Interim Period. The increase in profit was mainly attributable to the increases in the gross profits and other income aforementioned, where were partially set off by increases in administrative expenses and income tax expenses.

The Group recorded a basic earnings per share of approximately HK4.85 cents in the Interim Period as compared to a basic earnings per share of approximately HK0.83 cents in the Corresponding Period.

### Future Prospects

The Group will focus on the continuing development of the financial services business and the distribution, trading and processing business in 2021.

#### (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 services for global exchanges, provision of margin financing and money lending business in Hong Kong and Singapore.

## Management Discussion and Analysis

### — 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 in Hong Kong, the Group has obtained exemption from The Monetary Authority of Singapore (MAS) in Singapore to offer inter-dealer broking services in Singapore. The Group has also received the In-Principle Approval from the MAS in 2020 to conduct Capital Market Services products and services including Futures & Options as well as Contract For Differences (CFDs) in Singapore.

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.

## Management Discussion and Analysis

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, Trading and Processing Business**

Since last year, China has controlled and contained the outbreak of COVID-19 effectively. The economy recovered quickly and the demand has grown exponentially. The Group continues to focus on its development and expansion in China.

Recently the Group has acquired a few iron ore processing plants in China, to expand its business horizon and supplement its trading business. The Group will actively seek other acquisition opportunities in future.

# Management Discussion and Analysis

## Fund Raising Activities

### First issue of new shares under General Mandate

On 20 January 2021, the Company entered into certain subscription agreements with no fewer than 6 independent third parties to allot and issue an aggregate of 815,000,000 new shares of the Company at the subscription price of HK\$0.241 per subscription share. These subscription agreements have been fulfilled and the completion of the subscription took place on 25 February 2021. The gross proceeds from the subscription was approximately HK\$196,415,000. The entire net proceeds from the subscription are to be applied for the settlement of some of the payment for the purchase of iron ore which is due in the first quarter of 2021.

Details of the subscription are set out in the announcements of the Company dated 20 January 2021, 22 January 2021, 25 January 2021 and 25 February 2021, and in the “Use of Proceeds” section below.

### Second issue of new shares under General Mandate

On 31 May 2021, the Company entered into certain subscription agreements with no fewer than 6 independent third parties to allot and issue an aggregate of 815,000,000 new shares of the Company at the subscription price of HK\$0.75 per subscription share. These subscription agreements have been fulfilled and the completion of the subscription took place on 29 June 2021. The gross proceeds from the subscription was approximately HK\$611,250,000. The net proceeds from the Subscription will be used as working capital for the Group to expand its business in China, especially steel trading business and concentrating plants investment business, subject to market conditions and business opportunities as and when arise.

Details of the subscription are set out in the announcements of the Company dated 31 May 2021 and 29 June 2021, and in the “Use of Proceeds” section below.

Save as disclosed above, 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.



## Management Discussion and Analysis

### Use of Proceeds

The Company has conducted the following equity fund raising activities during the Interim Period and subsequently after 30 June 2021:

Date of announcements	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds as at 30 June 2021
20 January 2021, 22 January 2021, 25 January 2021 and 25 February 2021	Subscription of new shares under general mandate	HK\$196.3 million	Settlement of some payment for the purchase of iron ore due in the first quarter of 2021	Used as intended
31 May 2021 and 29 June 2021	Subscription of new shares under general mandate	HK\$611.1 million	As working capital for the Group to expand its business in China, especially steel trading business and concentrating plants investment business	Remained unused, expected to be utilized in the second half of 2021

Save as disclosed above, the Company has not conducted any other 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 2021 (2020: Nil).

## Management Discussion and Analysis

### Events after the Reporting Period

On 28 July 2021, 競點（福建）國際貿易有限公司 (Jing Dian Fujian International Co., Ltd.\*) (“**Jingdian (Fujian)**”), an indirect wholly-owned subsidiary of the Company, entered into a share transfer agreement with 王豐奇 (Wang Fengqi) (“**Seller**”), pursuant to which, the Seller has agreed to sell, and Jingdian (Fujian) has agreed to acquire, 60% of the entire issued share capital in 大鵬礦業有限公司 (Dapeng Mining Co., Ltd.\*), at a consideration of RMB60 million. For details, please refer to the announcement of the Company dated 28 July 2021.

On 12 August 2021, the Company entered into three continuing connected transactions, including (i) the Master Sale and Purchase Agreement I with Mr. You Zhenhua in relation to the purchase and supply of iron ore, steel products and nickel ore in Singapore; (ii) the Master Sale and Purchase Agreement II with Mr. You Zhenwu in relation to the purchase and supply of iron ore, steel products and nickel ore, and the provision of the processing services by the Group, in the PRC; (iii) the Logistic Services Framework Agreement with Mr. You Zhenwu, in relation to the provision of the logistic services to the Group. For details, please refer to the announcement of the Company dated 12 August 2021.

On 20 August 2021, 德皇國際有限公司 (King Topwell International Limited\*) (“**King Topwell**”), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (“**Joint Venture Agreement**”) with 中天鋼鐵集團有限公司 (Zenith Steel Group Co., Ltd.\*) (“**Zenith Steel**”), 山西晉南鋼鐵集團有限公司 (Shanxi Jinnan Iron and Steel Group Co., Ltd.\*) (“**Shanxi Jinnan**”) and 永鋒集團有限公司 (Yongfeng Group Co., Ltd.\*) (“**Yongfeng Group**”), for the formation of a joint venture in PRC (“**Joint Venture**”). The registered capital of the Joint Venture is expected to be RMB1,000 million. Pursuant to the Joint Venture Agreement, the Joint Venture shall be, after its formation, owned as to 51% by the Company, 20% by Zenith Steel, and 20% by Shanxi Jinnan and 9% by Yongfeng Group. For details, please refer to the announcement of the Company dated 20 August 2021.

Apart from that, the Directors are not aware of any other significant events requiring disclosure that have taken place subsequent to 30 June 2021 and up to the date of this interim report.

## Management Discussion and Analysis

### Charges in Assets

Save for the restricted deposits of approximately HK\$66,963,000 (31 December 2020: approximately HK\$85,598,000), 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 2021.

### Contingent Liabilities

As at 30 June 2021, the Group had no material contingent liabilities.

### Material Acquisitions and Disposals

During the period ended 30 June 2021, there is no material acquisition or disposal of subsidiaries, associates and joint ventures, which requires disclosures under the Listing Rules.

### Share Capital

Details of movements in the share capital of the Company during the period ended 30 June 2021 are set out in note 20 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.

# Management Discussion and Analysis

## Principal Risks and Uncertainties

### Commodities price risk

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

### Exposure to fluctuation in exchange rates

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

### Counterparty credit and performance risk

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

### Interest rate risk

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

## Management Discussion and Analysis

### Legal, regulatory and compliance risk

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

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

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

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

### Price risk

The Group's financial assets at fair value through profit or loss and derivative instruments are measured at fair value at the end of reporting period. Therefore, the Group is exposed to equity security and forward contract price risk. The Group manages this exposure by maintaining a portfolio of investments with different risk profiles.

# Management Discussion and Analysis

## Liquidity and Financial Resources

As at 30 June 2021, the Group's net current assets were approximately HK\$3,140,899,000 (31 December 2020: approximately HK\$1,821,332,000), and net assets were approximately HK\$3,359,894,000 (31 December 2020: approximately HK\$1,841,429,000). As at 30 June 2021, there were total loans and other borrowings of approximately HK\$1,257,816,000 outstanding (31 December 2020: Nil).

As at 30 June 2021, the current ratio (as defined as current assets divided by current liabilities) was approximately 1.58 (31 December 2020: approximately 1.84) and the gearing ratio (as defined as loans and other borrowings divided by net assets) was approximately 0.37 (31 December 2020: Nil).

As at 30 June 2021, the Group had an undrawn banking letter of credit limit totalling US\$143,000,000, equivalent to approximately HK\$1,115,400,000 (31 December 2020: US\$226,394,000, equivalent to approximately HK\$1,765,873,000).

## Capital Expenditure and Capital Commitments

The total capital expenditure of the Group for the Interim Period totaled HK\$46,400,000 (31 December 2020: HK\$2,713,000), consisting of approximately HK\$564,000 (31 December 2020: HK\$2,140,000) for addition of leasehold improvements, approximately HK\$481,000 (31 December 2020: HK\$573,000) for addition of furniture, fixtures and other equipment and approximately HK\$45,355,000 (31 December 2020: Nil) for increase in property, plant and equipment arising from the acquisition of 山東鑫盛達礦業有限公司 (Shandong Xinshengda Mining Co., Ltd.\*).

As at 30 June 2021, the Group had no material capital expenditure commitments.

As at 30 June 2021, the Group agreed had capital commitment totaling RMB32,000,000 (equivalently to approximately HK\$38,480,000) for the investment in associate of 連雲港恆鑫通礦業有限公司 (Lianyungang Hengxintong Mining Co., Ltd.\*). It was made in relation to further increase in capital contribution on pro-rata basis among existing shareholders.

## Management Discussion and Analysis

### Future Plan for Material Investments or Capital Assets

As at 30 June 2021, the Group does not have any other plans for material investments or capital assets.

### Human Resources

As at 30 June 2021, the Group had 144 employees in total, consisting of 8 employees in Hong Kong, 71 employees in Singapore and 65 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, 27 August 2021

\* For identification purposes only

## 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 2021.

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 until identification of a suitable candidate. Mr. Wu Lei, executive director of the Company, temporarily acted as the role of chairman during the Interim Period. Mr. Jiang Jiang has been the CEO of the Company during 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 until identification of a suitable candidate. 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 30 June 2021.

### 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 2021.

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

During the six months period ended 30 June 2021, 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 2021.



## 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 2021.

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

As at 30 June 2021, the interests of the Directors and the chief executive and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

#### Long Positions

##### The Company

Name of Director	Capacity	Number of shares held	Percentage of the share capital of the Company (Note)
Ding Lin	Beneficial Owner	1,010,000	0.007%

Note:

The percentage of interest in the Company is calculated by reference to the number of shares of the Company in issue as at 30 June 2021, that is 13,471,344,631.

## Other Information

Other than as disclosed above, none of the Directors, chief executive nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as at 30 June 2021 that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at 30 June 2021, 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 3)
Mr. You Zhenhua (note 1)	Beneficial Owner	3,840,000	0.03%
	Interests of a controlled corporation	8,494,907,176 (note 1)	63.06%
Mr. Liu Bin (note 2)	Interests of controlled corporations	850,000,000 (note 2)	6.31%

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.

## Other Information

2. ZTFO Holding Pte. Ltd and Toptip Holding Pte. Ltd. are interested in 515,000,000 shares and 335,000,000 shares of the Company, respectively. They are legally and beneficially owned as to 100% by Mr. Liu Bin. According to SFO, Mr. Liu Bing is deemed to have the interests owned by them.
3. Based on the number of 13,471,344,631 shares of the Company in issue as at 30 June 2021.

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 2021.

### 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.