

Theme

Theme International Holdings Limited

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



2022

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
Mr. Wang Zhenhui
Mr. Kang Jian

Independent Non-Executive Directors

Mr. Liu Song
Ms. Kent Shun Ming
Ms. Chan Lai Ping (Note 2)
Mr. Wu Shiming (Note 1)

AUDIT COMMITTEE

Ms. Kent Shun Ming (*Chairlady*)
Mr. Ding Lin
Ms. Chan Lai Ping (Note 2)
Mr. Wu Shiming (Note 1)

REMUNERATION COMMITTEE

Ms. Kent Shun Ming (*Chairlady*)
Mr. Liu Song
Ms. Chan Lai Ping (Note 2)
Mr. Wu Shiming (Note 1)

NOMINATION COMMITTEE

Ms. Kent Shun Ming (*Chairlady*)
Mr. Liu Song
Ms. Chan Lai Ping (Note 2)
Mr. Wu Shiming (Note 1)

Notes:

- (1) Retired on 30 June 2022
- (2) Appointed on 6 July 2022

Corporate Information

AUTHORISED REPRESENTATIVES

Mr. Wu Lei

Ms. Chen Jing

COMPANY SECRETARY

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

AUDITOR

ZHONGHUI ANDA CPA Limited
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay, Kowloon
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
Chiyu Banking Corporation Limited
Industrial Bank Co. Ltd.
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited
ING Bank N.V.
Industrial and Commercial Bank of China Limited
Shanghai Pudong Development Bank Company Limited
Bank of China Limited
China Everbright Bank Co., Ltd.
DBS Bank Limited
CIMB Bank Berhad

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

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 2022 (“**Interim Period**”) together with the comparative figures for the corresponding period in 2021.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

		Six months ended 30 June 2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	16,329,638	18,339,059
Cost of sales		<u>(15,179,563)</u>	<u>(17,518,657)</u>
Gross profit		1,150,075	820,402
Other income, gain and loss		(25,816)	13,166
Selling and distribution expenses		(4,076)	(4,213)
Administrative expenses		<u>(176,849)</u>	<u>(91,225)</u>
Profit from operations		943,334	738,130
Finance costs	4(a)	(4,060)	(2,308)
Share of profits of an associate		<u>47,210</u>	<u>–</u>
Profit before taxation	4	986,484	735,822
Income tax	5	<u>(118,028)</u>	<u>(73,704)</u>
Profit for the period		<u>868,456</u>	<u>662,118</u>
Attributable to:			
– Owners of the Company		666,971	601,935
– Non-controlling interests		<u>201,485</u>	<u>60,183</u>
		868,456	662,118
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
– Share of associate’s exchange differences on translating foreign operations		(10,175)	–
– Exchange differences on translating foreign operations		<u>(71,010)</u>	<u>539</u>
Other comprehensive (loss)/income for the period, net of tax		<u>(81,185)</u>	<u>539</u>
Total comprehensive income for the period		<u>787,271</u>	<u>662,657</u>
Attributable to:			
– Owners of the Company		606,782	602,474
– Non-controlling interests		<u>180,489</u>	<u>60,183</u>
		787,271	662,657
Earnings per share Basic and diluted	6	HK4.95 cents	HK4.85 cents

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

		30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
	Notes		
Non-current assets			
Property, plant and equipment	8	198,262	193,691
Investment property		6,665	–
Right-of-use assets		23,695	29,359
Goodwill		37,945	917
Interest in an associate	9	244,303	234,995
Financial assets at fair value through other comprehensive income		21,544	22,567
Deferred tax assets		–	304
Loans to customers	11	–	9,600
		<u>532,414</u>	<u>491,433</u>
Current assets			
Inventories	10	807,926	1,241,564
Loans to customers	11	39,765	13,157
Trade and bills receivables and interest receivables	12	1,015,865	1,849,477
Accounts receivables	13	3,348,668	2,316,438
Financial assets at fair value through profit or loss		16,620	15,643
Derivative instruments	14	1,143,426	710,178
Prepayments, deposits and other receivables	15	884,248	575,665
Current tax recoverable		16,212	16,982
Cash and bank balances	16	4,414,876	1,864,744
		<u>11,687,606</u>	<u>8,603,848</u>

Condensed Consolidated Financial Statements

		30 June 2022	31 December 2021
		HK\$'000	HK\$'000
	Notes	(unaudited)	(audited)
Current liabilities			
Trade and bills payables	17	877,976	732,554
Trust receipt loans		227,792	38,656
Bank and other borrowings		25,573	–
Accounts payables	18	3,994,925	2,817,402
Contract liabilities		560,705	381,364
Accruals and other payables		104,428	114,407
Derivative instruments	14	1,132,047	597,799
Lease liabilities		4,045	8,929
Current tax payable		97,623	63,720
		<u>7,025,114</u>	<u>4,754,831</u>
Net current assets		<u>4,662,492</u>	<u>3,849,017</u>
Total assets less current liabilities		<u>5,194,906</u>	<u>4,340,450</u>
Non-current liabilities			
Lease liabilities		–	511
Deferred tax liabilities		16,699	10,623
		<u>16,699</u>	<u>11,134</u>
NET ASSETS		<u>5,178,207</u>	<u>4,329,316</u>
Capital and reserves			
Share capital	19	33,679	33,679
Reserves		4,058,568	3,451,786
Equity attributable to owners of the Company		4,092,247	3,485,465
Non-controlling interests		1,085,960	843,851
TOTAL EQUITY		<u>5,178,207</u>	<u>4,329,316</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company							
	Share capital	Share premium account	Capital reserve	Foreign currency translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	29,604	1,074,215	2,944	(3,217)	566,248	1,669,794	171,635	1,841,429
Profit for the period	-	-	-	-	601,935	601,935	60,183	662,118
Other comprehensive income for the period								
- Exchange difference on translating foreign operations	-	-	-	539	-	539	-	539
Issue of new shares (note 19)	4,075	803,429	-	-	-	807,504	-	807,504
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	-	-	-	-	-	-	14,856	14,856
At 30 June 2021 (unaudited)	33,679	1,877,644	2,207	(2,678)	1,168,183	3,079,035	280,998	3,360,033
At 1 January 2022 (audited)	33,679	1,877,644	3,179	6,748	1,564,215	3,485,465	843,851	4,329,316
Profit for the period	-	-	-	-	666,971	666,971	201,485	868,456
Other comprehensive loss for the period								
- Exchange difference on translating foreign operations	-	-	-	(60,189)	-	(60,189)	(20,996)	(81,185)
Capital contribution received from non-controlling interests	-	-	-	-	-	-	61,620	61,620
At 30 June 2022 (unaudited)	33,679	1,877,644	3,179	(53,441)	2,231,186	4,092,247	1,085,960	5,178,207

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating activities		
Cash from operations	4,481,855	1,616,559
Interest received	11,499	1,498
Tax paid	(80,092)	(27,786)
Net cash generated from operating activities	4,413,262	1,590,271
Investing activities		
Purchase of property, plant and equipment	(20,515)	(1,045)
Interest in an associate	-	(144,300)
Decrease in restricted deposits	12,633	18,635
Net cash outflow on acquisition of subsidiaries	(57,373)	(31,698)
Receipt of loan to an associate	29,447	-
Net cash used in investing activities	(35,808)	(158,408)
Financing activities		
Proceeds from issue of new shares on the general mandate	-	807,504
Proceeds from capital injection by non-controlling interest parties in subsidiaries	61,620	33,587
Payment of lease liabilities	(5,868)	(4,809)
Proceeds from loan from a connected party	-	1,257,816
Repayment of trust receipt loans	(2,429,369)	(2,444,708)
Interest paid	(4,060)	(2,308)
Net cash used in financing activities	(2,377,677)	(352,918)
Net increase in cash and cash equivalents	1,999,777	1,078,945
Cash and cash equivalents at beginning of the period	880,252	304,706
Effect of changes in foreign exchange rates	(64,388)	605
Cash and cash equivalents at end of the period, represented by cash and bank balances	2,815,641	1,384,256
Analysis of cash and cash equivalents		
Cash and bank balances	2,815,641	1,384,256

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 2021 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 2021.

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 2021 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 2022. 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	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Sales from trading of goods	15,801,377	18,104,313
<i>Less: sales taxes and levies</i>	(4,279)	(1,874)
Commission income and brokerage fees from the provision of financial services	85,563	36,521
	15,882,661	18,138,960
Other Revenue		
Gain from derivative trading	443,652	198,189
Interest income from loans to customers	288	457
Interest income from customers' segregated accounts	3,037	1,453
	446,977	200,099
Total revenue	16,329,638	18,339,059

(b) Segment information

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

Condensed Consolidated Financial Statements

3. Revenue and Segment Information (Continued)

(b) Segment information (Continued)

During the period ended 30 June 2022, 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.

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 2022 (unaudited)

	Distribution, trading and processing HK\$'000	Financial services HK\$'000	Total HK\$'000
Revenue	<u>15,797,098</u>	<u>532,540</u>	<u>16,329,638</u>
Segment profit	<u>668,447</u>	<u>269,209</u>	937,656
Finance costs	<u>(3,636)</u>	<u>(363)</u>	(3,999)
Unallocated other income, gain and loss			12,730
Share of profits of associate			47,210
Corporate expenses and other finance costs			<u>(7,113)</u>
Profit before taxation			<u>986,484</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 2021 (unaudited)

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

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, share of profit of associate, finance costs and taxation. This is the measure reporting to the executive directors for the purposes of resource allocation and making strategic decision.

Condensed Consolidated Financial Statements

3. Revenue and Segment Information (Continued)

(b) Segment information (Continued)

Segment assets and liabilities:

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

As at 30 June 2022 (unaudited)

	Distribution, trading and processing HK\$'000	Financial services HK\$'000	Total HK\$'000
Segment assets	<u>5,410,245</u>	<u>6,545,693</u>	<u>11,955,938</u>
Segment liabilities	<u>1,541,367</u>	<u>5,183,392</u>	<u>6,724,759</u>

As at 31 December 2021 (audited)

	Distribution, trading and processing HK\$'000	Financial services HK\$'000	Total HK\$'000
Segment assets	<u>4,502,207</u>	<u>4,334,667</u>	<u>8,836,874</u>
Segment liabilities	<u>1,199,406</u>	<u>3,458,692</u>	<u>4,658,098</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 2022			Six months ended 30 June 2021		
	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)
Geographical market						
Hong Kong	-	50,854	50,854	-	25,941	25,941
Singapore	11,517,161	34,709	11,551,870	15,994,409	10,580	16,004,989
The PRC	4,279,937	-	4,279,937	2,108,030	-	2,108,030
Revenue from contracts with customers	<u>15,797,098</u>	<u>85,563</u>	<u>15,882,661</u>	<u>18,102,439</u>	<u>36,521</u>	<u>18,138,960</u>
Major products/service						
Trading and processing of bulk commodities	15,797,098	-	15,797,098	18,102,439	-	18,102,439
Commission income and brokerage fees	-	85,563	85,563	-	36,521	36,521
Total	<u>15,797,098</u>	<u>85,563</u>	<u>15,882,661</u>	<u>18,102,439</u>	<u>36,521</u>	<u>18,138,960</u>
Timing of revenue recognition						
At a point in time	<u>15,797,098</u>	<u>85,563</u>	<u>15,882,661</u>	<u>18,102,439</u>	<u>36,521</u>	<u>18,138,960</u>

Condensed Consolidated Financial Statements

4. Profit before Taxation

	Six months ended 30 June	
	2022	2021
	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	3,950	2,074
Lease liabilities	110	234
	4,060	2,308
(b) Other items		
Interest income on bank deposits	(11,499)	(1,498)
Depreciation		
– property, plant and equipment	10,173	2,564
– right-of-use assets	5,236	4,651
Allowance for inventories	46,628	–
Exchange loss/(gain), net	42,547	(12,674)
Directors' remuneration (note a)	4,197	3,226
Other staff costs (note b)	149,967	68,455

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	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	2,557	267
Current tax – PRC Corporate Income Tax		
Provision for the period	91,188	29,399
Current tax – Singapore Corporate Income Tax		
Provision for the period	17,599	44,038
Deferred tax	6,684	–
	118,028	73,704

Hong Kong Profits Tax is calculated at 16.5% (2021: 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 provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

Singapore Corporate Income Tax is provided using the Singapore standard rate of income tax of 17% (2021: 17%) or the concession rate of 5% (2021: 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% (2021: 5%) since then. Any other income not qualified for the GTP incentive has been charged at the standard rate of 17% (2021: 17%) during the Interim Period.

Besides, Theme International VCC, a partially-owned subsidiary of the Company which is incorporated in Singapore has been awarded by the Monetary Authority of Singapore as a Tax Exemption Scheme for Resident Funds with effect from 7 September 2020.

Condensed Consolidated Financial Statements

5. Income Tax (Continued)

The income tax provision in respect of operations in the PRC is calculated at 25% (2021: 25%) on the estimated assessable profits for the Interim Period based on existing legislation, interpretations and practices in respect thereof.

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 Interim Period and the Corresponding Period, as adjusted to reflect the issue of new shares under the general mandate during the corresponding period as further detailed in note 19.

	Six months ended 30 June	
	2022	2021
	HKS'000	HKS'000
	(unaudited)	(unaudited)
Profit:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>666,971</u>	<u>601,935</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>13,471,345</u>	<u>12,417,698</u>

(b) Diluted earnings per share

There is no instrument with potential dilutive shares issued by the Company during the periods ended 30 June 2022 and 2021. 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 2022 and 2021. The directors do not recommend the payment of an interim dividend in respect of the period ended 30 June 2022 (2021: Nil).

Condensed Consolidated Financial Statements

8. Movements in Property, Plant and Equipment

During the six months ended 30 June 2022, there was an addition of approximately HK\$22,359,000 to the Group's property, plant and equipment (six months ended 30 June 2021: HK\$46,400,000). No property, plant and equipment were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: 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.*). The principal place of business and place of incorporation of the associate are in the PRC and it is engaged in commodity trading and processing.

10. Inventories

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Finished goods	<u>807,926</u>	<u>1,241,564</u>

11. Loans to Customers

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Loans to customers	43,855	26,847
Provision for impairment	<u>(4,090)</u>	<u>(4,090)</u>
	<u>39,765</u>	<u>22,757</u>
Analysed as:		
Current assets	39,765	13,157
Non-current assets	<u>-</u>	<u>9,600</u>
	<u>39,765</u>	<u>22,757</u>

Condensed Consolidated Financial Statements

11. Loans to Customers (Continued)

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

	1/1/2022 to 30/6/2022 HK\$'000 (unaudited)	1/1/2021 to 31/12/2021 HK\$'000 (audited)
Balance b/f	4,090	9,090
Reversal of provision for impairment recognised during the period/year	-	(5,000)
Balance c/f	<u>4,090</u>	<u>4,090</u>

The fixed-rate loans to customers of HK\$17,890,000 (31 December 2021: HK\$26,847,000) 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 2021: 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% (2021: 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. During the Interim Period, the Group has no movement in the provision for impairment of loans to customers (Year ended 31 December 2021: an understanding with one of the borrowers for relieving the outstanding loan due upon its settlement of HK\$5,000,000 and consequently reversing the provision for impairment. Accordingly, reversal of allowance of HK\$5,000,000 had been made).

Condensed Consolidated Financial Statements

12. Trade and Bills Receivables and Interest Receivables

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade and bills receivables	1,014,822	1,847,131
Interest receivables	1,043	2,346
	<u>1,015,865</u>	<u>1,849,477</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 have required the payments in advances prior to the issuance of goods sold and the remaining are on letter of credit or document against payment. The remaining sales are with average credit period of 30 to 90 days (31 December 2021: 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:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Not yet due or within 90 days	<u>1,015,865</u>	<u>1,849,477</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

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Arising from the business of dealing in futures contracts:		
– Brokers and dealers		
– representing customer balances	2,986,980	2,070,527
– representing house balances	354,803	236,581
	3,341,783	2,307,108
Arising from financial services provided:		
– Customers	6,885	9,330
	3,348,668	2,316,438

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. Derivative Instruments

	Contract/ Notional amount	Assets	Liabilities	Contract/ Notional amount	Assets	Liabilities
	30 June 2022	30 June 2022	30 June 2022	31 December 2021	31 December 2021	31 December 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Future contracts						
- Sales	14,855,132	566,808	(561,689)	3,562,105	156,485	(451,801)
- Purchases	<u>14,143,555</u>	<u>576,618</u>	<u>(570,358)</u>	<u>2,344,670</u>	<u>553,693</u>	<u>(145,998)</u>
Total derivative instruments		<u>1,143,426</u>	<u>(1,132,047)</u>		<u>710,178</u>	<u>(597,799)</u>

15. Prepayments, Deposits and Other Receivables

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade deposits	827,463	486,524
Prepayment	1,824	2,957
VAT receivables	15,398	12,437
Deposits and other receivables	<u>39,563</u>	<u>73,747</u>
	<u>884,248</u>	<u>575,665</u>

Condensed Consolidated Financial Statements

16. Cash and Bank Balances

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Cash at bank		
– General accounts	2,815,641	880,252
– Restricted deposits	26,205	29,390
– Trust and segregated accounts	1,573,030	955,102
	4,414,876	1,864,744

The Group's restricted bank deposits represented deposits for securing banking facilities granted to the Group 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 condensed consolidated statement of financial position and recognised the corresponding accounts payables to respective clients on the ground that it is liable for any loss or misappropriation of the client's monies. The Group is not permitted to use the clients' monies to settle its own obligations.

17. Trade and Bills Payables

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade and bills payables	877,976	732,554

Condensed Consolidated Financial Statements

17. Trade and Bills Payables (Continued)

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Within 90 days	763,163	712,496
91-180 days	112,531	19,613
181-365 days	1,843	66
Over 1 year	439	379
	877,976	732,554

18. Accounts Payables

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Arising from the business of dealing in futures contracts	3,994,925	2,817,402

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

19. Share Capital

	Note	Number of ordinary shares of HK\$0.0025 each '000	HK\$'000
Authorised:			
At 1 January 2021 (audited), 31 December 2021 (audited) and 30 June 2022 (unaudited)		<u>200,000,000</u>	<u>500,000</u>
Issued and fully paid:			
At 1 January 2021 (audited)		11,841,345	29,604
First issue of new shares under the general mandate	(i)	815,000	2,037
Second issue of new shares under the general mandate	(ii)	<u>815,000</u>	<u>2,038</u>
At 31 December 2021 (audited) and 30 June 2022 (unaudited)		<u>13,471,345</u>	<u>33,679</u>

Note:

- (i) For the first issue of new shares under the 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\$2,037,000 was credited to share capital and the remaining balance of approximately HK\$194,300,000 (net of issuing expenses of approximately HK\$78,000) was credited to the share premium account. The first issue of new shares under the 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

19. Share Capital (Continued)

- (ii) For the second issue of new shares under the 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\$2,038,000 was credited to share capital and the remaining balance of approximately HK\$609,129,000 (net of issuing expenses of approximately HK\$83,000) was credited to the share premium account. The second issue of new shares under the 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.

20. Acquisition of Subsidiary and Business Combination

Acquisitions of SK Chemical Trading (HK) Limited ("SK Chemical Trading (HK)") and Fox-Chem Pte. Ltd. ("Fox-Chem")

During the period ended 30 June 2022, the Group formed a non-wholly owned subsidiary of which the Group has 60% equity interest, named SKS Chemical Trading Pte. Ltd. to acquire 100% equity interests in SK Chemical Trading (HK) and Fox-Chem at the aggregated final cash consideration of approximately US\$8,827,000 (equivalent to approximately HK\$68,851,000). SK Chemical Trading (HK) is mainly engaged in the wholesale and trading of petrochemicals, while Fox-Chem is mainly engaged in the wholesale of chemicals and chemical products.

Condensed Consolidated Financial Statements

20. Acquisition of Subsidiary and Business Combination (Continued)

The fair values of identifiable assets and liabilities at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	1,844
Investment property	6,665
Trade receivables	542,914
Deposits, prepayments and other receivables	24,567
Restricted bank deposits	9,448
Derivative instruments	14,373
Cash and cash equivalents	11,478
Trade payables	(541,409)
Accruals and other payables	(17,222)
Bank and other borrowings	(20,835)
	<hr/>
Total net assets	31,823
	<hr/>
	HK\$'000
Goodwill arising on acquisition	
Consideration	68,851
Less: Net assets acquired	(31,823)
	<hr/>
Goodwill	37,028
	<hr/>

Condensed Consolidated Financial Statements

20. Acquisition of Subsidiary and Business Combination (Continued)

Goodwill arising from the acquisition was attributable to the benefit of the anticipated profitability and future development of the distribution, trading and processing business.

HKS'000

Net cash outflow on acquisition of SK Chemical Trading (HK) and Fox-Chem

Consideration satisfied by:

Cash paid	(68,851)
Less: cash and cash equivalents acquired	11,478
	<u>(57,373)</u>

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	
	2022	2021
	HKS'000	HKS'000
	(unaudited)	(unaudited)
Key management compensation		
Salaries, allowances and other benefits in kind	4,080	3,180
Retirement benefits scheme contributions	117	46
	<u>4,197</u>	<u>3,226</u>

Condensed Consolidated Financial Statements

21. Related Party Transactions (Continued)

Balances with related parties

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Accounts receivable from related party owned by the ultimate controlling shareholder of the Company	157	186
Accounts payable to related party owned by a close family member of the ultimate controlling shareholder of the Company	398	398
Accounts payable to ultimate controlling shareholder of the Company	239,215	-
Accounts payable to related party owned by the ultimate controlling shareholder of the Company	181,418	370,416
Accounts payable to certain non-controlling interest parties	194,371	208,897
Loan and interest receivable from a non-controlling interest party who is also a director of certain subsidiaries of the Group	4,215	4,051
Receivables from related parties controlled by a close family member of the ultimate controlling shareholder of the Company	23,243	-
Payables to related parties controlled by a close family member of the ultimate controlling shareholder of the Company	-	85
Deposits paid to related parties controlled by a close family member of the ultimate controlling shareholder of the Company	26,698	14,477
Deposits received from related parties controlled by a close family member of the ultimate controlling shareholder of the Company	179	23,011

Condensed Consolidated Financial Statements

21. Related Party Transactions (Continued)

Balances with related parties (Continued)

As at 30 June 2022, the Group had accounts receivable from related parties and accounts payable 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.

Other transactions with related parties

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Brokerage and commission fee income from ultimate controlling shareholder of the Company	2,135	–
Brokerage and commission fee income from related party owned by the ultimate controlling shareholder of the Company	17,013	3,618
Brokerage and commission fee income from certain non-controlling interest parties	11,024	6,388
Loan interest income from a non-controlling interest party who is also 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	2,929	2,981
Sales of trading commodities to and processing income from related parties controlled by a close family member of the ultimate controlling shareholder of the Company	105,617	–
Purchase of trading commodities from related parties controlled by a close family member of the ultimate controlling shareholder of the Company	177,957	–
Logistics fees paid to related parties controlled by a close family member of the ultimate controlling shareholder of the Company	66,975	–

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 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 Commitments

As at 30 June 2022, the Group had capital commitments of approximately HK\$246,400,000 (31 December 2021: HK\$430,767,000) in relation to the formation of a non-wholly owned subsidiary in the PRC.

23. Events after the Reporting Period

On 5 August 2022, as the existing tenancy agreement 1 and existing tenancy agreement 2 will expire on 15 August 2022, Bright Point Trading Pte. Ltd. (as tenant) entered into renewal tenancy agreement 1 with PSU (as landlord) for the leasing of the premise 1 for a term of three years commencing from 16 August 2022 to 15 August 2025. Also, on the same day, Bright Point International Futures (SG) Pte. Ltd. (as tenant) entered into the renewal tenancy agreement 2 with PSU (as landlord) for the leasing of the premise 2 for a term of three years commencing from 16 August 2022 to 15 August 2025. For details, please refer to the announcement of the announcement of the Company dated 5 August 2022.

Save as above, the Directors are not aware of any other significant events requiring disclosure that have taken place subsequent to 30 June 2022 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 30 August 2022.

* 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 2022 and 2021 are summarised as follows:

	Revenue		Profit for the period		Basic earnings per share	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022	2021
From operations	<u>16,329,638</u>	<u>18,339,059</u>	<u>868,456</u>	<u>662,118</u>	<u>HK4.95 cents</u>	<u>HK4.85 cents</u>

The Group recorded a total revenue of approximately HK\$16,329,638,000 (2021: approximately HK\$18,339,059,000) for the six months period ended 30 June 2022 (the “Interim Period”) representing a decrease of approximately 11% over the six months period ended 30 June 2021 (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	
	2022 Revenue HK\$'000	2021 Revenue HK\$'000
<i>Products</i>		
Iron Ore	<u>6,474,837</u>	<u>8,540,583</u>
Silver ingots and gold	<u>5,890,789</u>	<u>8,086,334</u>
Other commodities and processing income (Note)	<u>3,431,472</u>	<u>1,475,522</u>
Distribution, trading and processing	<u>15,797,098</u>	<u>18,102,439</u>
Financial Services	<u>532,540</u>	<u>236,620</u>
	<u>16,329,638</u>	<u>18,339,059</u>

Note: Other commodities mainly represent steel products, nickel ore, chrome ore and chemical products, 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 main commodity product of the distribution, trading and processing business. During the Interim Period, we also have other commodities trading such as silver and gold ingots, chrome ore, nickel ore, steel products and chemical products. Revenue from the distribution, trading and processing business decreased from approximately HK\$18,102,439,000 in the Corresponding Period to approximately HK\$15,797,098,000 in the Interim Period. The decrease is mainly due to the drop in commodity prices compared to the Corresponding Period.

During the Interim Period, the Group recorded revenues from the provision of financial services approximately HK\$532,540,000 (2021: approximately HK\$236,620,000). 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\$1,150,075,000 in the Interim Period from approximately HK\$820,402,000 in the Corresponding Period. The increase in gross profit was attributable to the stable development of the Group's existing businesses.

Other losses of approximately HK\$25,816,000 (2021: other gains of approximately HK\$13,166,000) were incurred during the Interim Period. Exchange loss of HK\$42,547,000 (2021: exchange gain of approximately HK\$12,674,000) was incurred during the Interim Period, arising mostly from the fluctuation of USD/RMB exchange rate. Cargoes sold by Shanghai trading desk were denominated in RMB. Such exchange loss was partly offset by the interest income on bank deposits totaling HK\$11,499,000 (2021: approximately HK\$1,498,000). Interest income increased during the Interim Period due to the increase in interest rate.

Selling and distribution expenses of approximately HK\$4,076,000 (2021: approximately HK\$4,213,000) were incurred during the Interim Period, mainly attributable to the charges paid when importing cargoes into China.

Administrative expenses have increased from approximately HK\$91,225,000 in the Corresponding Period to approximately HK\$176,849,000 in the Interim Period. It was mainly attributable to the increase in staff cost as a result of the good operating performance.

Management Discussion and Analysis

Finance costs of approximately HK\$4,060,000 (2021: approximately HK\$2,308,000) 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 increase of interest rate during the Interim Period.

Share of profits of an associate totalling HK\$47,210,000 (2021: Nil) was recorded during the Interim Period. It arose from the share of profits of associated named 連雲港恆鑫通礦業有限公司 (Lianyungang Hengxintong Mining Co., Ltd.*). The acquisition of an associate was completed by the end of the Corresponding Period.

Income tax expense increased from approximately HK\$73,704,000 in the Corresponding Period to approximately HK\$118,028,000 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\$601,935,000 in the Corresponding Period to approximately HK\$666,971,000 in the Interim Period. The increase in profit was mainly attributable to the increase in the gross profits and share of profits of an associate aforementioned, where were partially set off by increases in other losses, administrative expenses and income tax expenses.

The Group recorded a basic earnings per share of approximately HK4.95 cents in the Interim Period as compared to a basic earnings per share of approximately HK4.85 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 2022.

(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 markets), 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).

- **Assets Management and Fund Management**

In December 2020, the Monetary Authority of Singapore has approved the registration of a subsidiary of the Group as a Registered Fund Management Company.

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 existing regulated licences in Hong Kong, the Group has obtained Capital Market Services (CMS) License from the Monetary Authority of Singapore in Singapore in October 2021 to offer inter-dealer broking services and Global Clearing Services as well as Contract for Differences (CFDs) offerings 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.

Management Discussion and Analysis

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

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

Its business lines comprise (1) global clearing services, (2) inter-dealer broking in over-the-counter markets, (3) structured trade finance and (4) China access products.

The Group's aspiration is to extend its four pillars of business across all key asset classes comprising commodities, foreign exchange and interest rates as part of its product roadmap.

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

(ii) Distribution, Trading and Processing Business

Over the past few years, 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, during the Interim Period in 2022, the Group has acquired chemical trading companies in Singapore, 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

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 2022 (2021: Nil).

Events after the Reporting Period

On 5 August 2022, as the existing tenancy agreement 1 and existing tenancy agreement 2 will expire on 15 August 2022, Bright Point Trading Pte. Ltd. (as tenant) entered into renewal tenancy agreement 1 with PSU (as landlord) for the leasing of the premise 1 for a term of three years commencing from 16 August 2022 to 15 August 2025. Also, on the same day, Bright Point International Futures (SG) Pte. Ltd. (as tenant) entered into the renewal tenancy agreement 2 with PSU (as landlord) for the leasing of the premise 2 for a term of three years commencing from 16 August 2022 to 15 August 2025. For details, please refer to the announcement of the Company dated 5 August 2022.

Apart from that, the Directors are not aware of any other significant events requiring disclosure that have taken place subsequent to 30 June 2022 and up to the date of this interim report.

Charges in Assets

Save for the restricted deposits of approximately HK\$26,205,000 (31 December 2021: approximately HK\$29,390,000), which were restricted for securing banking facilities granted to the Group and investment property of approximately HK\$6,665,000 (31 December 2021: Nil), none of the Group's assets was charged or subject to encumbrance as at 30 June 2022.

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities.

Management Discussion and Analysis

Material Acquisitions and Disposals

During the period ended 30 June 2022, the Group formed a non-wholly owned subsidiary of which the Group has 60% equity interest, named SKS Chemical Trading Pte. Ltd. to acquire 100% equity interests in SK Chemical Trading (HK) Limited (“**SK Chemical Trading (HK)**”) and Fox-Chem Pte. Ltd. (“**Fox-Chem**”) at the aggregated final cash consideration of approximately US\$8,827,000 (equivalent to approximately HK\$68,851,000). SK Chemical Trading (HK) is mainly engaged in the wholesale and trading of petrochemicals, while Fox-Chem is mainly engaged in the wholesale of chemicals and chemical products. For details, please refer to the announcement of the Company dated 1 April 2022.

Saved as disclosed above, during the period ended 30 June 2022, 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 2022 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.

Management Discussion and Analysis

Exposure to fluctuation in exchange rates

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

Counterparty credit and performance risk

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

Interest rate risk

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

Legal, regulatory and compliance risk

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

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

Management Discussion and Analysis

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.

Liquidity and Financial Resources

As at 30 June 2022, the Group's net current assets were approximately HK\$4,662,492,000 (31 December 2021: approximately HK\$3,849,017,000), and net assets were approximately HK\$5,178,207,000 (31 December 2021: approximately HK\$4,329,316,000). As at 30 June 2022, there were total loans and other borrowings of approximately HK\$253,365,000 outstanding (31 December 2021: HK\$38,656,000).

As at 30 June 2022, the current ratio (as defined as current assets divided by current liabilities) was approximately 1.66 (31 December 2021: approximately 1.81) and the gearing ratio (as defined as loans and other borrowings divided by net assets) was approximately 0.049 (31 December 2021: 0.009).

As at 30 June 2022, the Group had an undrawn banking letter of credit limit totalling US\$240,934,000, equivalent to approximately HK\$1,879,285,000 (31 December 2021: US\$212,185,000, equivalent to approximately HK\$1,655,043,000).

Management Discussion and Analysis

Capital Expenditure and Capital Commitments

The total capital expenditure of the Group for the Interim Period totaled HK\$22,359,000 (30 June 2021: HK\$46,400,000), consisting of approximately HK\$20,515,000 (30 June 2021: HK\$1,045,000) for addition of property, plant and equipment and approximately HK\$1,844,000 (30 June 2021: HK\$45,355,000) from acquisition of subsidiaries.

As at 30 June 2022, the Group had no material capital expenditure commitments (31 December 2021: Nil).

As at 30 June 2022, the Group had capital commitments of approximately HK\$246,400,000 in relation to the formation of a non-wholly owned subsidiary in the PRC (31 December 2021: HK\$430,767,000).

Future Plan for Material Investments or Capital Assets

As at 30 June 2022, the Group does not have any other plans for material investments or capital assets.

Human Resources

As at 30 June 2022, the Group had 372 employees in total, consisting of 10 employees in Hong Kong, 100 employees in Singapore and 262 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, 30 August 2022

* For identification purposes only

Other Information

Compliance with Corporate Governance Code

Save and except for Code Provisions 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 2022.

Under Code Provision C.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 F.2.2 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 2022.

Under Code Provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors generally should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. One independent non-executive director, Mr. Wu Shiming, had not attended the annual general meeting held on 30 June 2022, due to his other official commitments.

Other Information

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. The Company has made specific enquiries with all directors of the Company and each of them confirmed that they have complied with the Model Code during the six months period ended 30 June 2022.

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

During the six months period ended 30 June 2022, 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 2022.

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, Ms. Kent Shun Ming, Ms. Chan Lai Ping and Mr. Ding Lin. 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 2022.

Other Information

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

As at 30 June 2022, 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%
Wang Zhenhui	Beneficial Owner	1,680,000	0.012%

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 2022, that is 13,471,344,631.

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 2022 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.

Other Information

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

As at 30 June 2022, 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.
- 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.
- Based on the number of 13,471,344,631 shares of the Company in issue as at 30 June 2022.

Other Information

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 2022.

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.