

Theme

Theme International Holdings Limited

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



2023

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 (Note 1)

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

AUDIT COMMITTEE

Ms. Kent Shun Ming (*Chairlady*)

Mr. Ding Lin

Ms. Chan Lai Ping

REMUNERATION COMMITTEE

Ms. Kent Shun Ming (*Chairlady*)

Mr. Liu Song

Ms. Chan Lai Ping

NOMINATION COMMITTEE

Ms. Kent Shun Ming (*Chairlady*)

Mr. Liu Song

Ms. Chan Lai Ping

Notes:

(1) Resigned on 30 April 2023

Corporate Information

AUTHORISED REPRESENTATIVES

Mr. Wu Lei

Mr. Ho Yui Pang

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
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STOCK CODE

990

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Condensed Consolidated Financial Statements

The board (the “**Board**”) of directors (the “**Directors**”) of Theme International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 (“**Interim Period**”) together with the comparative figures for the corresponding period in 2022.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	3	23,396,789	16,329,638
Cost of sales		(22,783,806)	(15,179,563)
Gross profit		612,983	1,150,075
Other income, gain and loss		431,037	(25,816)
Selling and distribution expenses		(4,300)	(4,076)
Administrative expenses		(119,284)	(176,849)
Profit from operations		920,436	943,334
Finance costs	4(a)	(15,217)	(4,060)
Share of profits of associates		23,984	47,210
Profit before taxation	4	929,203	986,484
Income tax	5	(56,714)	(118,028)
Profit for the period		872,489	868,456
Attributable to:			
– Owners of the Company		830,044	666,971
– Non-controlling interests		42,445	201,485
		872,489	868,456

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Other comprehensive loss:			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes of financial assets at fair value through other comprehensive income		(926)	—
<i>Items that may be reclassified to profit or loss:</i>			
Share of associates' exchange differences on translating foreign operations		(13,255)	(10,175)
Exchange differences on translating foreign operations		(106,198)	(71,010)
Other comprehensive loss for the period, net of tax		(120,379)	(81,185)
Total comprehensive income for the period		752,110	787,271
Attributable to:			
— Owners of the Company		731,635	606,782
— Non-controlling interests		20,475	180,489
		752,110	787,271
Earnings per share			
Basic and diluted	6	HK6.16 cents	HK4.95 cents

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		30 June	31 December
		2023	2022
		HK\$'000	HK\$'000
	Notes	(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	8	172,721	179,641
Right-of-use assets		49,766	45,062
Goodwill		37,945	37,945
Interest in associates	9	538,182	281,352
Financial assets at fair value through other comprehensive income		19,870	20,796
Financial assets at fair value through profit or loss	14	–	242,892
Deferred tax assets		1,143	2,423
		819,627	810,111
Current assets			
Inventories	10	1,853,985	2,340,096
Loans to customers	11	20,689	15,699
Trade and bills receivables and interest receivables	12	2,033,396	1,707,617
Accounts receivables	13	3,197,417	3,362,173
Financial assets at fair value through profit or loss	14	447,309	70,361
Derivative instruments	15	782,886	1,075,911
Prepayments, deposits and other receivables	16	458,981	204,064
Cash and bank balances	17	5,726,730	4,030,651
		14,521,393	12,806,572

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Current liabilities			
Trade and bills payables	18	2,033,397	1,731,795
Trust receipt loans		–	160,096
Bank borrowings		4,869	1,113
Accounts payables	19	5,394,023	3,862,296
Contract liabilities		464,708	53,471
Accruals and other payables		26,590	511,101
Derivative instruments	15	664,629	1,268,813
Lease liabilities		14,754	9,589
Current tax payable		45,034	72,751
		<u>8,648,004</u>	<u>7,671,025</u>
Net current assets		<u>5,873,389</u>	<u>5,135,547</u>
Total assets less current liabilities		<u>6,693,016</u>	<u>5,945,658</u>
Non-current liabilities			
Bank borrowings		–	4,355
Lease liabilities		15,889	16,527
Deferred tax liabilities		16,919	15,823
		<u>32,808</u>	<u>36,705</u>
NET ASSETS		<u>6,660,208</u>	<u>5,908,953</u>
Capital and reserves			
Share capital	20	33,679	33,679
Reserves		5,282,444	4,550,809
Equity attributable to owners of the Company		<u>5,316,123</u>	<u>4,584,488</u>
Non-controlling interests		1,344,085	1,324,465
TOTAL EQUITY		<u>6,660,208</u>	<u>5,908,953</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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 (unaudited)	-	-	-	-	-	666,971	666,971	201,485	868,456
Other comprehensive loss for the period (unaudited)									
– Exchange difference on translating foreign operations (unaudited)	-	-	-	-	(60,189)	-	(60,189)	(20,996)	(81,185)
Total comprehensive income for the period (unaudited)	-	-	-	-	(60,189)	666,971	606,782	180,489	787,271
Capital injection by non-controlling interests of subsidiaries (unaudited)	-	-	-	-	-	-	-	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
At 1 January 2023 (audited)	33,679	1,877,644	3,179	(1,771)	(99,280)	2,771,037	4,584,488	1,324,465	5,908,953
Profit for the period (unaudited)	-	-	-	-	-	830,044	830,044	42,445	872,489
Other comprehensive loss for the period (unaudited)									
– Exchange difference on translating foreign operations (unaudited)	-	-	-	-	(97,483)	-	(97,483)	(21,970)	(119,453)
– Fair value changes of financial assets at fair value through other comprehensive income (unaudited)	-	-	-	(926)	-	-	(926)	-	(926)
Total comprehensive income for the period (unaudited)	-	-	-	(926)	(97,483)	830,044	731,635	20,475	752,110
Capital injection by non-controlling interests of subsidiaries (unaudited)	-	-	-	-	-	-	-	78,914	78,914
Acquisition of non-controlling interests of a non-wholly owned subsidiary (unaudited)	-	-	-	-	-	-	-	(30,493)	(30,493)
Dividend distributions to non-controlling interests of non-wholly owned subsidiaries (unaudited)	-	-	-	-	-	-	-	(49,276)	(49,276)
At 30 June 2023 (unaudited)	33,679	1,877,644	3,179	(2,697)	(196,763)	3,601,081	5,316,123	1,344,085	6,660,208

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Note	(unaudited)	(unaudited)
Operating activities		
Cash from operations	3,284,754	4,481,855
Interest received	38,038	11,499
Tax paid	(82,013)	(80,092)
Net cash generated from operating activities	3,240,779	4,413,262
Investing activities		
Purchase of property, plant and equipment	(7,057)	(20,515)
(Increase)/decrease in restricted deposits	(228,790)	12,633
Net cash outflow on acquisition of subsidiaries	-	(57,373)
Receipt of loan to an associate	-	29,447
Net cash used in investing activities	(235,847)	(35,808)
Financing activities		
Proceeds from capital injection by non-controlling interest of subsidiaries	78,914	61,620
Payment of lease liabilities	(6,525)	(5,868)
Repayment of trust receipt loans and bank borrowings	(1,804,655)	(2,429,369)
Interest paid	(15,217)	(4,060)
Dividend paid to non-controlling interests of non-wholly owned subsidiaries	(104,082)	-
Acquisition of non-controlling interests of a non-wholly owned subsidiary	(30,493)	-
Net cash used in financing activities	(1,882,058)	(2,377,677)
Net increase in cash and cash equivalents	1,122,874	1,999,777
Cash and cash equivalents at beginning of the period	2,734,468	880,252
Effect of changes in foreign exchange rates	(99,891)	(64,388)
Cash and cash equivalents at end of the period	3,757,451	2,815,641
Analysis of cash and cash equivalents		
Cash and bank balances – General accounts	17 3,757,451	2,815,641

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 2022 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 2022.

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 2022 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 2023. 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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Sales from trading of goods	23,094,646	15,801,377
<i>Less: sales taxes and levies</i>	(4,953)	(4,279)
Commission income and brokerage fees from the provision of financial services	95,824	85,563
	23,185,517	15,882,661
Other Revenue		
Gain from derivative trading	144,895	443,652
Interest income from loans to customers	533	288
Interest income from trust and segregated accounts	65,844	3,037
	211,272	446,977
Total revenue	23,396,789	16,329,638

(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 2023, 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 2023 (unaudited)

	Distribution, trading and processing HK\$'000	Financial services HK\$'000	Total HK\$'000
Revenue	<u>23,089,693</u>	<u>307,096</u>	<u>23,396,789</u>
Segment profit	<u>454,034</u>	<u>84,250</u>	538,284
Finance costs	<u>(14,826)</u>	<u>(220)</u>	(15,046)
Unallocated other income, gain and loss			388,328
Share of profits of associates			23,984
Corporate expenses and other finance costs			<u>(6,347)</u>
Profit before taxation			<u>929,203</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 2022 (unaudited)

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

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 2023 (unaudited)

	Distribution, trading and processing HK\$'000	Financial services HK\$'000	Total HK\$'000
Segment assets	<u>6,666,521</u>	<u>7,695,796</u>	<u>14,362,317</u>
Segment liabilities	<u>2,625,438</u>	<u>5,964,545</u>	<u>8,589,983</u>

As at 31 December 2022 (audited)

	Distribution, trading and processing HK\$'000	Financial services HK\$'000	Total HK\$'000
Segment assets	<u>6,489,632</u>	<u>6,842,423</u>	<u>13,332,055</u>
Segment liabilities	<u>2,271,174</u>	<u>5,196,302</u>	<u>7,467,476</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 2023			Six months ended 30 June 2022		
	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	10,154	59,531	69,685	-	50,854	50,854
Singapore	15,840,415	36,293	15,876,708	11,517,161	34,709	11,551,870
The PRC	7,239,124	-	7,239,124	4,279,937	-	4,279,937
Revenue from contracts with customers	<u>23,089,693</u>	<u>95,824</u>	<u>23,185,517</u>	<u>15,797,098</u>	<u>85,563</u>	<u>15,882,661</u>
Major products/service						
Trading and processing of bulk commodities	23,089,693	-	23,089,693	15,797,098	-	15,797,098
Commission income and brokerage fees	-	95,824	95,824	-	85,563	85,563
Total	<u>23,089,693</u>	<u>95,824</u>	<u>23,185,517</u>	<u>15,797,098</u>	<u>85,563</u>	<u>15,882,661</u>
Timing of revenue recognition						
At a point in time	<u>23,089,693</u>	<u>95,824</u>	<u>23,185,517</u>	<u>15,797,098</u>	<u>85,563</u>	<u>15,882,661</u>

Condensed Consolidated Financial Statements

4. Profit before Taxation

	Six months ended 30 June	
	2023	2022
	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	14,997	3,950
Lease liabilities	220	110
	15,217	4,060
(b) Other items		
Interest income on bank deposits	(38,038)	(11,499)
Gain on fair value changes of financial assets through profit or loss	(392,195)	(1,541)
Depreciation		
— property, plant and equipment	9,324	10,173
— right-of-use assets	5,239	5,236
Allowance for inventories	—	46,628
Exchange loss, net	9,534	42,547
Directors' remuneration (note a)	4,048	4,197
Other staff costs (note b)	85,728	149,967

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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	540	2,557
Current tax – PRC Corporate Income Tax		
Provision for the period	34,408	91,188
Current tax – Singapore Corporate Income Tax		
Provision for the period	19,160	17,599
Deferred tax	2,606	6,684
	<u>56,714</u>	<u>118,028</u>

Hong Kong Profits Tax is calculated at 16.5% (2022 16.5%) of the estimated assessable profits in respect of the Group's operating entities in Hong Kong for the 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 2022.

Singapore Corporate Income Tax is provided using the Singapore standard rate of income tax of 17% or the concession rate of 5% for the periods ended 30 June 2023 and 2022. 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 period ended 30 June 2023 from the distribution and trading business of the Group has been charged at a tax concessionary rate of 5% since then. Any other income not qualified for the GTP incentive has been charged at the standard rate of 17% during the periods ended 30 June 2023 and 2022.

Besides, those VCC funds incorporated in Singapore are 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)

Save as those PRC incorporation categories as Small Low-Profit Business which enjoy tax cuts until end of 2024, the income tax provision in respect of operations in the PRC is calculated at 25% on the estimated assessable profits for the 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.

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	830,044	666,971
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	13,471,345	13,471,345

(b) Diluted earnings per share

There is no instrument with potential dilutive shares issued by the Company during the periods ended 30 June 2023 and 2022. 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 2023 and 2022. The directors do not recommend the payment of an interim dividend in respect of the period ended 30 June 2023 (2022: Nil).

Condensed Consolidated Financial Statements

8. Movements in Property, Plant and Equipment

During the six months ended 30 June 2023, there was an addition of approximately HK\$7,991,000 to the Group's property, plant and equipment (six months ended 30 June 2022: HK\$22,359,000). No property, plant and equipment were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. Investment in Associates

They represented the investments in associates of 連雲港恆鑫通礦業有限公司 (Lianyungang Hengxintong Mining Co., Ltd.) and Green Steel Pte. Ltd. ("Green Steel"). The principal place of business and operation of 連雲港恆鑫通礦業有限公司 are in the PRC and it is mainly engaged in commodity trading and processing. The principal place of business and operation of Green Steel Pte. Ltd. are in Singapore and it is mainly engaged in the trading of iron ore and hot briquetted iron.

10. Inventories

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Raw materials and finished goods	1,853,985	2,340,096

11. Loans to Customers

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Loans to customers	34,289	29,299
Provision for impairment	(13,600)	(13,600)
	20,689	15,699
Analysed as:		
Current assets	20,689	15,699

Condensed Consolidated Financial Statements

11. Loans to Customers (Continued)

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

	1/1/2023 to 30/6/2023 HK\$'000 (unaudited)	1/1/2022 to 31/12/2022 HK\$'000 (audited)
Balance b/f	13,600	4,090
Impairment loss recognised	-	9,900
Write-off	-	(390)
	<hr/>	<hr/>
Balance c/f	13,600	13,600

The fixed-rate loans to customers of HK\$34,289,000 as at 30 June 2023 (31 December 2022: HK\$29,299,000) under the Group's loan financing services operation represent loan advance to one party, represented an independent third party (2022: two parties, representing 1 employee of the Group and 1 independent third party) and the treasury making through National Debt Reserves Repurchase in the securities brokers. The loans were secured by personal guarantee or the National Debt. The interest rates for the loans to customers were ranging from 4% to 12% (2022: 4% to 12%) per annum.

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

Condensed Consolidated Financial Statements

12. Trade and Bills Receivables and Interest Receivables

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Trade and bills receivables	2,033,396	1,707,436
Interest receivables	-	181
	<u>2,033,396</u>	<u>1,707,617</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 2022: 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 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
0 to 90 days	2,027,560	1,352,799
91 to 180 days	2,099	10,662
Over 180 days	3,737	344,156
	<u>2,033,396</u>	<u>1,707,617</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. 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 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Arising from the business of dealing in futures contracts:		
— Brokers and dealers		
— representing customer balances	3,067,438	2,704,016
— representing house balances	114,512	642,684
	3,181,950	3,346,700
Arising from financial services provided:		
— Customers	15,467	15,473
	3,197,417	3,362,173

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

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

Condensed Consolidated Financial Statements

14. Financial Assets at Fair Value through Profit or Loss

As at 30 June 2023, they mainly represented the fair values of the call option granted on 5 May 2023 to the Company to subscribe up to 120,000,000 ordinary shares of Green Estee Pte. Ltd., a company controlled by the ultimate controlling shareholder of the Company.

15. Derivative Instruments

	Contract/ Notional amount	Assets	Liabilities	Contract/ Notional amount	Assets	Liabilities
	30 June 2023	30 June 2023	30 June 2023	31 December 2022	31 December 2022	31 December 2022
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)
Future contracts						
– Sales	13,622,990	285,033	(403,494)	14,625,540	160,608	(1,184,386)
– Purchases	16,101,296	497,853	(261,135)	14,102,442	915,303	(84,427)
Total derivative instruments		782,886	(664,629)		1,075,911	(1,268,813)

16. Prepayments, Deposits and Other Receivables

	30 June 2023	31 December 2022
	HK\$'000 (unaudited)	HK\$'000 (audited)
Trade deposits	326,102	67,214
Prepayment	2,437	2,086
VAT receivables	91,072	91,892
Deposits and other receivables	39,370	42,872
	458,981	204,064

Condensed Consolidated Financial Statements

17. Cash and Bank Balances

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Cash at bank		
– General accounts	3,757,451	2,734,468
– Restricted deposits	235,523	6,733
– Trust and segregated accounts	1,733,756	1,289,450
	5,726,730	4,030,651

The Group's restricted bank deposits mainly represented deposits for securing bill payables and 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.

18. Trade and Bills Payables

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Trade and bills payables	2,033,397	1,731,795

Condensed Consolidated Financial Statements

18. 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 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Within 90 days	1,998,075	1,703,174
91-180 days	29,801	4,339
181-365 days	5,360	23,734
Over 1 year	161	548
	2,033,397	1,731,795

19. Accounts Payables

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Arising from the business of dealing in futures contracts	5,394,023	3,862,296

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

Condensed Consolidated Financial Statements

20. Share Capital

	Number of ordinary shares of HK\$0.0025 each '000	HK\$'000
Authorised:		
At 1 January 2022 (audited), 31 December 2022 (audited) and 30 June 2023 (unaudited)	200,000,000	500,000
Issued and fully paid:		
At 1 January 2022 (audited), 31 December 2022 (audited) and 30 June 2023 (unaudited)	13,471,345	33,679

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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Key management compensation		
Salaries, allowances and other benefits in kind	3,960	4,080
Retirement benefits scheme contributions	88	117
	<u>4,048</u>	<u>4,197</u>

Condensed Consolidated Financial Statements

21. Related Party Transactions (Continued)

Balances with related parties

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Accounts payable to the ultimate controlling shareholder of the Company	52	52
Accounts receivable from a related party owned by the ultimate controlling shareholder of the Company	15	30
Accounts payable to a related party controlled by a close family member of the ultimate controlling shareholder of the Company	44,326	18,006
Accounts payable to a related party owned by the ultimate controlling shareholder of the Company	52,415	22,026
Accounts payable to certain non-controlling interest parties	159,905	344,630
Accounts payable to a related party controlled by the ultimate controlling shareholder of the Company	5,822	44,822
Loan and interest receivable from a non-controlling interest party who is also a director of certain subsidiaries of the Group	-	2,430
Receivables from related parties controlled by a close family member of the ultimate controlling shareholder of the Company	6,408	22,788
Deposits paid to related parties controlled by a close family member of the ultimate controlling shareholder of the Company	22,114	1,955
Payables to related parties controlled by a close family member of the ultimate controlling shareholder of the Company	24,541	45,945
Deposits received from related parties controlled by a close family member of the ultimate controlling shareholder of the Company	8,337	-
Payables to an associate of the Company	-	1,877
Deposits paid to an associate of the Company	-	4,613

Condensed Consolidated Financial Statements

21. Related Party Transactions (Continued)

Balances with related parties (Continued)

As at 30 June 2023, 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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Brokerage and commission fee income from ultimate controlling shareholder of the Company	-	2,135
Brokerage and commission fee income from a related party owned by the ultimate controlling shareholder of the Company	906	17,013
Brokerage and commission fee income from certain non-controlling interest parties	11,937	11,024
Loan interest income from a non-controlling interest party who is also a director of certain subsidiaries of the Group	16	164
Lease payment made to a related party owned by the ultimate controlling shareholder of the Company	4,747	2,929
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	31,872	105,617
Purchase of trading commodities from related parties controlled by a close family member of the ultimate controlling shareholder of the Company	2,582	177,957
Logistics fees paid to related parties controlled by a close family member of the ultimate controlling shareholder of the Company	125,141	66,975
Processing fee paid to an associate of the Company	6,103	10,677

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. Fair Value Measurements

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

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

Level 1 inputs:	quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2 inputs:	inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs:	unobservable inputs for the asset or liability.

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

Condensed Consolidated Financial Statements

22. Fair Value Measurements (Continued)

Disclosures of level in fair value hierarchy:

At 30 June 2023

Description	Fair value measurements using:			Total
	Level 1 HK\$'000 (unaudited)	Level 2 HK\$'000 (unaudited)	Level 3 HK\$'000 (unaudited)	HK\$'000 (unaudited)
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income				
Private equity investment in the PRC	-	-	19,870	19,870
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong and overseas	22,983	-	-	22,983
Option	-	-	424,326	424,326
	22,983	-	424,326	447,309
Derivative instruments				
- Assets	782,886	-	-	782,886
- Liabilities	(664,629)	-	-	(664,629)
	118,257	-	-	118,257
Total recurring fair value measurements	141,240	-	444,196	585,436

Condensed Consolidated Financial Statements

22. Fair Value Measurements (Continued)

Disclosures of level in fair value hierarchy: (Continued)

At 31 December 2022

Description	Fair value measurements using:			Total HK\$'000 (audited)
	Level 1 HK\$'000 (audited)	Level 2 HK\$'000 (audited)	Level 3 HK\$'000 (audited)	
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income				
Private equity investment in the PRC	-	-	20,796	20,796
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong and overseas	30,809	-	-	30,809
Private equity investment in overseas	-	-	242,892	242,892
Option	-	-	39,552	39,552
	<u>30,809</u>	<u>-</u>	<u>282,444</u>	<u>313,253</u>
Derivative instruments				
- Assets	1,075,911	-	-	1,075,911
- Liabilities	(1,268,813)	-	-	(1,268,813)
	<u>(192,902)</u>	<u>-</u>	<u>-</u>	<u>(192,902)</u>
Total recurring fair value measurements	<u>(162,093)</u>	<u>-</u>	<u>303,240</u>	<u>141,147</u>

During the six months ended 30 June 2023 and year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Condensed Consolidated Financial Statements

22. Fair Value Measurements (Continued)

Movements in Level 3 fair value measurements

Description	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Equity investment <i>HK\$'000</i>	Option <i>HK\$'000</i>	Equity investment <i>HK\$'000</i>	
At 1 January 2023 (audited)	242,892	39,552	20,796	303,240
Total gains or losses recognised				
– in profit or loss ⁽ⁱⁱ⁾ (unaudited)	3,210	384,774	–	387,984
– in other comprehensive income (unaudited)	–	–	(926)	(926)
Transfer (unaudited)	(246,102)	–	–	(246,102)
At 30 June 2023 (unaudited)	–	424,326	19,870	444,196
⁽ⁱⁱ⁾ Include gains or losses for assets held at end of reporting period	3,210	384,774	–	387,984

Condensed Consolidated Financial Statements

22. Fair Value Measurements (Continued)

Movements in Level 3 fair value measurements (Continued)

Description	Financial assets at fair value through other comprehensive income Equity investment <i>HK\$'000</i>
At 1 January 2022 (audited)	22,567
Total gains or losses recognised	
— in profit or loss ^(#) (unaudited)	—
Others (unaudited)	(1,023)
	<hr/>
At 30 June 2022 (unaudited)	21,544
	<hr/>
^(#) Include gains or losses for assets held at end of reporting period	—
	<hr/>

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

The total gains or losses recognised in other comprehensive income are presented as fair value changes of financial assets at fair value through other comprehensive income in the condensed consolidated statement of changes in equity.

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

Condensed Consolidated Financial Statements

22. Fair Value Measurements (Continued)

Movements in Level 3 fair value measurements (Continued)

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations. The valuation methods currently adopt for these level 3 financial assets at fair value are:

At 30 June 2023

Description	Valuation Technique	Unobservable inputs	Fair value HK\$'000 (unaudited)	Effect on fair value for increase of inputs
Unlisted equity securities classified as equity investment at fair value through other comprehensive income	Market approach – Guideline Transaction Method	Reference to the most recent shares transactions of the target company with independent third party	19,870	Increase
		Marketability discount and P/E multiple		Decrease
Option classified as equity investment at fair value through profit or loss	Binomial Black Scholes Model	Expected volatility	424,326	Increase

Condensed Consolidated Financial Statements

22. Fair Value Measurements (Continued)

Movements in Level 3 fair value measurements (Continued)

At 31 December 2022

Description	Valuation Technique	Unobservable inputs	Fair value <i>HK\$'000</i> (audited)	Effect on fair value for increase of inputs
Unlisted equity securities classified as equity investment at fair value through other comprehensive income	Market approach – Guideline Transaction Method	Reference to the most recent shares transactions of the target company with independent third party	20,796	Increase
		Marketability discount and P/E multiple		Decrease
Unlisted equity securities classified as equity investment at fair value through profit or loss	Market approach – Guideline Transaction Method	Reference to the most recent shares transactions of the target company with independent third party	242,892	Increase
		Marketability discount and P/E multiple		Decrease
Option classified as equity investment at fair value through profit or loss	Binomial Black Scholes Model	Expected volatility	39,552	Increase

Condensed Consolidated Financial Statements

23. Capital Commitments

As at 30 June 2023, the Group had capital commitments of approximately HK\$82,994,000 (31 December 2022: HK\$108,662,000) in relation to the formation of a non-wholly owned subsidiary in the PRC.

24. Events after the Reporting Period

On 28 July 2023, the transaction in relation to the grant of call option to subscribe up to 120,000,000 ordinary shares of Green Estee Pte. Ltd. has been duly passed by independent shareholders at the special general meeting.

On 31 August 2023, the Company entered into the supplemental logistic services framework agreement with Mr. You Zhenwu, to amend the existing annual cap in relation to the provision of the logistic services, from HK\$240.0 million to the revised annual cap of HK\$440.0 million for the year ending 31 December 2023. For details, please refer to the announcement of the Company dated 31 August 2023.

Save as above, the Directors are not aware of any other significant events requiring disclosure that have taken place subsequent to 30 June 2023 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 31 August 2023.

* 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 2023 and 2022 are summarised as follows:

	Revenue		Profit for the period		Basic earnings per share	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023	2022
From operations	<u>23,396,789</u>	<u>16,329,638</u>	<u>872,489</u>	<u>868,456</u>	<u>HK6.16 cents</u>	<u>HK4.95 cents</u>

The Group recorded a total revenue of approximately HK\$23,396,789,000 (2021: approximately HK\$16,329,638,000) for the six months period ended 30 June 2022 (the “Interim Period”) representing an increase of approximately 43% over the six months period ended 30 June 2022 (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	
2023	2022
Revenue HK\$'000	Revenue HK\$'000

Products

Iron Ore	<u>9,339,432</u>	6,474,837
Silver and gold ingots	<u>9,394,608</u>	5,890,789
Other commodities and processing income (Note)	<u>4,355,653</u>	<u>3,431,472</u>
Distribution, trading and processing	<u>23,089,693</u>	15,797,098
Financial Services	<u>307,096</u>	<u>532,540</u>
	<u>23,396,789</u>	<u>16,329,638</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 and silver and gold ingots trading represented the main commodity products of the distribution, trading and processing business. During the Interim Period, we also have other commodities trading such as chrome ore, nickel ore, steel products and chemical products. Revenue from the distribution, trading and processing business increased from approximately HK\$15,797,098,000 in the Corresponding Period to approximately HK\$23,089,693,000 in the Interim Period. The increase is mainly due to an increase in trading volume of both iron ore and silver and gold ingots.

During the Interim Period, the Group recorded revenues from the provision of financial services of approximately HK\$307,096,000 (2022: approximately HK\$532,540,000). The decrease in revenue during the Interim Period was due to a decrease in fund trading activities.

Gross profit of the Group also decreased to approximately HK\$612,983,000 in the Interim Period from approximately HK\$1,150,075,000 in the Corresponding Period. The decrease in gross profit was attributable to a decrease in gross profit from both iron ore trading and fund trading activities.

Other gains of approximately HK\$431,037,000 (2022: other losses of approximately HK\$25,816,000) were incurred during the Interim Period. Gain on fair value changes of financial assets at fair value through profit or loss totalling HK\$392,195,000 (2022: approximately HK\$1,541,000) was recorded, which mainly arose from the gain on fair value for the options granted to the Company to acquire up to 120,000,000 ordinary shares of Green Estee Pte. Ltd. Also, interest income on bank deposits totalling HK\$38,038,000 (2022: approximately HK\$11,499,000) was recorded during the Interim Period. Interest income increased during the Interim Period due to the increase in interest rate.

Selling and distribution expenses of approximately HK\$4,300,000 (2022: approximately HK\$4,076,000) were incurred during the Interim Period, mainly attributable to the charges paid when importing cargoes into China.

Administrative expenses have decreased from approximately HK\$176,849,000 in the Corresponding Period to approximately HK\$119,284,000 in the Interim Period. It was mainly attributable to the decrease in staff cost as a in line with the operating performance.

Management Discussion and Analysis

Finance costs of approximately HK\$15,217,000 (2022: approximately HK\$4,060,000) 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 in interest rate during the Interim Period.

Share of profits of associates totalling HK\$23,984,000 (2022: HK\$47,210,000) was recorded during the Interim Period. It mainly arose from the share of profits of associates named 連雲港恆鑫通礦業有限公司 (Lianyungang Hengxintong Mining Co., Ltd.*) and Green Estee Pte. Ltd..

Income tax expense decreased from approximately HK\$118,028,000 in the Corresponding Period to approximately HK\$56,714,000 in the Interim Period, which is in line with the decrease in operating profits.

The profit for the Interim Period attributable to owners of the Company increased from approximately HK\$666,971,000 in the Corresponding Period to approximately HK\$830,044,000 in the Interim Period.

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 HK6.16 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 2023.

(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). The Group has also secured the Capital Market Services 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. In addition, the Group has attained the license for "derivative" under specific activities and product types from the UK Financial Conduct Authority (FCA) in July 2022.

- **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. Since 2017, the Group has obtained already obtained the Type 1 and 2 licenses from Securities and Futures Commission (SFC) and the Capital Market Services (CMS) License from the Monetary Authority of Singapore (MAS) in Hong Kong and Singapore respectively. These licenses allow the Group to offer inter-dealer broking services and Global Clearing Services as well as Contract for Differences

Management Discussion and Analysis

(CFDs) to its clients. In addition, The Group is pleased to announce that one of its subsidiaries has attained the license for “derivative” under specific activities and product types from the UK Financial Conduct Authority (FCA) in July 2022.

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

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

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

Its business lines comprise of (1) global clearing services, (2) inter-dealer broking in over-the-counter markets for both derivatives and physical commodities, (3) facilitation of physical precious metals trading and (4) access to CFDs for emerging markets.

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 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**

In 2023, the market in China remains stable. The Group continues to focus on its development and expansion in Hong Kong, Singapore and China.

Management Discussion and Analysis

The Group has acquired chemical trading companies in Singapore last year, to expand its business horizon and supplement its trading business. The Group will actively seek other acquisition opportunities in future.

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 2023 (2022: Nil).

Events after the Reporting Period

On 28 July 2023, the transaction in relation to the grant of call option to the Company to subscribe up to 120,000,000 ordinary shares of Green Estee Pte. Ltd. has been duly passed by independent shareholders at the special general meeting.

On 31 August 2023, the Company entered into the supplemental logistic services framework agreement with Mr. You Zhenwu, to amend the existing annual cap in relation to the provision of the logistic services, from HK\$240.0 million to the revised annual cap of HK\$440.0 million for the year ending 31 December 2023. For details, please refer to the announcement of the Company dated 31 August 2023.

Apart from that, the Directors are not aware of any other significant events requiring disclosure that have taken place subsequent to 30 June 2023 and up to the date of this interim report.

Charges in Assets

Save for the restricted deposits of approximately HK\$235,523,000 (31 December 2022: approximately HK\$6,733,000), which were mainly restricted for securing bills payables and banking facilities granted to the Group, none of the Group's assets was charged or subject to encumbrance as at 30 June 2023.

Contingent Liabilities

As at 30 June 2023, the Group had no material contingent liabilities.

Management Discussion and Analysis

Material Acquisitions and Disposals

During the period ended 30 June 2023, the Company entered into the call option agreement with Green Esteel Pte. Ltd. ("**Green Esteel**"), pursuant to which Green Esteel has granted the call option to the Company to subscribe up to 120,000,000 ordinary shares of Green Esteel ("**Call Option**"). The Call Option is exercisable in whole or in parts at any time during the exercise period at the option price of US\$1.00 per the option share. The transaction in relation to the grant of Call Option has been passed by independent shareholders at the special general meeting dated 28 July 2023. Up to the date of this interim report, the Company has not exercised the Call Option yet. For details, please refer to the announcements of the Company dated 5 May 2023 and 28 July 2023 and the Circular of the Company dated 30 June 2023.

Saved as disclosed above, during the period ended 30 June 2023, 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 2023 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 9 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 2023, the Group's net current assets were approximately HK\$5,873,389,000 (31 December 2022: approximately HK\$5,135,547,000), and net assets were approximately HK\$6,660,208,000 (31 December 2022: approximately HK\$5,908,953,000). As at 30 June 2023, there were total loans and other borrowings of approximately HK\$4,869,000 outstanding (31 December 2022: HK\$165,564,000).

As at 30 June 2023, the current ratio (as defined as current assets divided by current liabilities) was approximately 1.68 (31 December 2022: approximately 1.67) and the gearing ratio (as defined as loans and other borrowings divided by net assets) was approximately 0.001 (31 December 2022: 0.03).

As at 30 June 2023, the Group had an undrawn banking letter of credit limit totalling US\$503,403,000 equivalent to approximately HK\$3,926,543,000 (31 December 2022: US\$323,917,000, equivalent to approximately HK\$2,526,553,000).

Management Discussion and Analysis

Capital Expenditure and Capital Commitments

The total capital expenditure of the Group for the Interim Period totaled HK\$7,991,000 (30 June 2022: HK\$22,359,000), consisting of approximately HK\$7,991,000 for addition of property, plant and equipment (30 June 2022: HK\$20,515,000 for addition of property, plant and equipment and approximately HK\$1,844,000 from acquisition of subsidiaries).

As at 30 June 2023, the Group had no material capital expenditure commitments (31 December 2022: Nil).

As at 30 June 2023, the Group had capital commitments of approximately HK\$82,994,000 in relation to the formation of a non-wholly owned subsidiary in the PRC (31 December 2022: HK\$108,662,000).

Future Plan for Material Investments or Capital Assets

As at 30 June 2023, the Group does not have any other plans for material investments or capital assets.

Human Resources

As at 30 June 2023, the Group had 366 employees in total, consisting of 9 employees in Hong Kong, 116 employees in Singapore and 241 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, 31 August 2023

* 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 2023.

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 2023.

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 2023.

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

During the six months period ended 30 June 2023, 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 2023.

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 two independent non-executive directors and one non-executive director, namely 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 2023.

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

As at 30 June 2023, 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%
Kang Jian	Beneficial Owner	2,000,000	0.015%

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 2023, 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 2023 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 2023, so far as known to the Directors or the chief executives of the Company, the following person was the shareholder (other than the Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who was recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange.

Name of substantial shareholder	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital (note 2)
Mr. You Zhenhua (note 1)	Beneficial Owner	3,840,000	0.03%
	Interests of a controlled corporation	8,494,907,176 (note 1)	63.06%

Notes:

- These shares are held by Wide Bridge Limited ("**Wide Bridge**"). Mr. You indirectly holds 100% interest in Wide Bridge. According to SFO, Mr. You is deemed to be interested in the shares held by Wide Bridge.
- Based on the number of 13,471,344,631 shares of the Company in issue as at 30 June 2023.

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 2023.

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.