



Theme International Holdings Limited

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

2008 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Turnover for the first half year was HK\$175 million, up 12.6%. The net loss attributable to shareholders was HK\$10.1 million for the six months ended 30 June 2008. The Board of Directors did not declare an interim dividend.

We were unable to make improvement in our operating results for the first half year of 2008. This was mainly attributed to the problems of over-stocking and under-provision left over from the previous management. It may take longer than expected to complete a corporate overhaul this time. However, we have been putting in place a streamlined, stable and healthy business structure to provide a solid platform for our future development.

Once again we sincerely thank our shareholders for their unfailing support, in particular the success in raising HK\$179 million in August last year, without which we may not be able to effect a more intensive and painstaking reform. The healthy financial position has enabled us to more focus and more in depth in restructuring the Group and planning for our future. In order to turn the Group around, we will spare no efforts in meeting the challenges of the huge China market vibrant which is full of opportunities.

I would like to take this opportunity to express our gratitude to my fellow Directors, colleagues, franchisees, and suppliers for their support and contribution.

RESULTS

The Board of Directors (the “Board”) of Theme International Holdings Limited (the “Company”) announces 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 2008 together with the comparative figures.

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE		175,258	155,626
Cost of sales		(92,770)	(65,522)
Gross profit		82,488	90,104
Other income		6,381	7,123
Gain on disposal of a jointly controlled entity		873	-
Share of loss of a jointly controlled entity		(660)	-
Selling and distribution expenses		(67,853)	(68,636)
Administrative expenses		(30,627)	(33,092)
Finance costs	4	(583)	(4,308)
LOSS BEFORE TAXATION		(9,981)	(8,809)
Taxation (charge) credit	5	(131)	1,713
LOSS FOR THE PERIOD	6	(10,112)	(7,096)
LOSS PER SHARE	7		
Basic		HK(1.13 cent)	HK(1.19 cent)

Condensed Consolidated Balance Sheet
At 30 June 2008

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		52,212	47,161
Intangible assets		9,800	10,300
Prepaid lease payments		36,025	34,331
Investments in associates		-	-
Investments in jointly controlled entities		-	544
Available-for-sale investments		675	675
Derivative financial instruments		2,867	-
Deferred taxation		1,955	1,656
		103,534	94,667
CURRENT ASSETS			
Inventories		52,661	75,131
Trade receivables	9	34,804	37,668
Deposits, prepayments and other receivables		23,924	35,203
Derivative financial instruments		2,727	-
Amounts due from fellow subsidiaries		26,473	16,338
Amounts due from jointly controlled entities		4,517	8,993
Bank balances and cash		41,097	37,906
		186,203	211,239
CURRENT LIABILITIES			
Trade payables	10	18,834	24,543
Other payables and accrued charges		37,535	44,354
Amount due to an associate		594	596
Amount due to a jointly controlled entity		1,243	-
Taxation		1,364	2,751
Bank borrowings		24,497	29,654
		84,067	101,898
NET CURRENT ASSETS		102,136	109,341
TOTAL ASSETS LESS CURRENT LIABILITIES		205,670	204,008
CAPITAL AND RESERVES			
Share capital		8,965	89,645
Reserves		196,705	113,563
Equity attributable to equity holders of the Company		205,670	203,208
Minority interests		-	800
TOTAL EQUITY		205,670	204,008

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34, Interim Financial Reporting.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, which are measured at their fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the accounting policies set out below:

Hedge accounting

The Group designates all derivatives as hedges of highly probable forecast transactions for foreign currency exposure (cash flow hedges).

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item. The hedged item represents highly probable forecast intragroup transactions which are denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk under the hedging arrangement will affect condensed consolidated profit or loss.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

In the current interim period, the Group has applied, for the first time, the following new interpretations ("new Interpretations") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2008.

HK(IFRIC) - INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) - INT 12	Service concession arrangements
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) - INT 13	Customer loyalty programmes ³
HK(IFRIC) - INT 15	Agreements for the construction of real estate ¹
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation ⁴

¹ Effective for accounting periods beginning on or after 1 January 2009.

² Effective for accounting periods beginning on or after 1 July 2009.

³ Effective for accounting periods beginning on or after 1 July 2008.

⁴ Effective for accounting periods beginning on or after 1 October 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first accounting reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment information

The directors report the geographical segments as the Group's primary segment information.

Geographical segments

The following table provides an analysis of the Group's sales by location of markets:

Six months ended 30 June (unaudited)

	Hong Kong and Macau		People's Republic of China ("PRC")		Taiwan		Singapore		Elimination		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue												
External sales	9,402	11,594	109,104	87,007	53,495	53,014	3,257	4,011	-	-	175,258	155,626
Inter-segment sales	8,095	8,056	29,895	28,929	-	-	-	-	(37,990)	(36,985)	-	-
	17,497	19,650	138,999	115,936	53,495	53,014	3,257	4,011	(37,990)	(36,985)	175,258	155,626
Segment results	(2,431)	884	(8,006)	1,067	(327)	(6,011)	239	(467)			(10,525)	(4,527)
Interest income											914	26
Finance costs											(583)	(4,308)
Gain on disposal of a jointly controlled entity	-	-	873	-	-	-	-	-	-	-	873	-
Share of loss of a jointly controlled entity	-	-	(660)	-	-	-	-	-	-	-	(660)	-
Loss before taxation											(9,981)	(8,809)
Taxation (charge) credit											(131)	1,713
Loss for the period											(10,112)	(7,096)

No business segment is presented because more than 90% of the total revenue is derived from manufacturing, retailing and trading of garments.

4. Finance costs

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank charges	193	481
Interest on :		
Bank loans, overdrafts and amount due to immediate holding company wholly repayable within five years	390	3,827
	583	4,308

5. Taxation (charge) credit

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Tax (charge) credit comprises:		
Current tax		
PRC and other jurisdictions	(214)	36
Overprovision in prior years		
Other jurisdictions	-	1,722
Deferred tax	83	(45)
	(131)	1,713

No provision for Hong Kong Profits Tax has been made for both periods as the Company and its subsidiaries have no assessable profit arising in Hong Kong. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 June 2008.

Taxation arising in the PRC and other jurisdictions are calculated at the rates prevailing in the respective PRC regions and the relevant jurisdiction respectively.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Company's PRC subsidiaries from 1 January 2008.

6. Loss for the period

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting) :		
(Write back) allowance for obsolete inventories (note)	(6,161)	5,944
Allowance for bad and doubtful debts	1,281	1,743
Depreciation of property, plant and equipment	4,646	6,606
Amortisation of intangible assets	500	500
Amortisation of prepaid lease payments	280	234
Loss on disposal of property, plant and equipment	429	226

Note: Excess obsolete inventory provisions are written back when the relevant inventories are sold.

7. Loss per share

The calculation of basic loss per share for the six months ended 30 June 2008 together with the comparative figures for 2007 are based on the following data:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the purpose of basic loss per share attributable to equity holders of the Company	<u>(10,112)</u>	<u>(7,096)</u>
	Number of	Number of
	Shares	Shares
		(restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>896,454,959</u>	<u>597,636,640</u>

The comparative figures of basic loss per share for the six months ended 30 June 2007 is restated to take into effect of share consolidation on the basis of every ten issued shares being consolidated into one consolidated share, details of which are set out in the circular of the Company dated 11 December 2007.

No diluted loss per share for six months ended 30 June 2007 has been presented as the conversion of the mandatory convertible notes would reduce the loss per share.

No diluted loss per share for six months ended 30 June 2008 has been presented as the Company had no potential shares outstanding during the period.

8. Interim Dividend

No dividends were paid, declared or proposed during the period. The Board did not recommend the payment of an interim dividend.

9. Trade receivables

The Group allows credit periods range from 30 days to 90 days to its trade customers.

The aging analysis of trade receivables net of allowance for bad and doubtful debts is stated as follows:

	30 June	31 December
	2008	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	27,937	28,066
91 to 180 days	4,504	7,225
181 to 360 days	2,264	1,801
Over 360 days	99	576
	<u>34,804</u>	<u>37,668</u>

10. Trade payables

The following is an aged analysis of the trade payables at the balance sheet date:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within 90 days	10,886	17,908
91 to 180 days	2,686	-
181 to 360 days	1,851	3,255
Over 360 days	3,411	3,380
	<u>18,834</u>	<u>24,543</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Turnover increased to HK\$175 million for the first half year of 2008, a rise of 12.6% when compared with the corresponding period of 2007. Loss attributable to shareholders was HK\$10.1 million for the six-month period because of fall in gross profit, compared to a loss attributable to shareholders of HK\$7.1 million for the last corresponding period.

Review of Operations

The segmental operating profit and loss is as follows:

	Turnover		Contribution	
	Six months ended 30 June 2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	Six months ended 30 June 2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Retail, Wholesales & Manufacturing of fashion				
Hong Kong & Macau	9,402	11,594	(1,536)	891
Taiwan	53,495	53,014	(321)	(6,003)
People's Republic of China	109,104	87,007	(7,993)	1,078
Singapore	3,257	4,011	239	(467)
	<u>175,258</u>	<u>155,626</u>	<u>(9,611)</u>	<u>(4,501)</u>
Gain on Disposal of a Jointly Controlled Entity			873	-
Share of loss of a Jointly Controlled Entity			(660)	-
Operating Loss			<u>(9,398)</u>	<u>(4,501)</u>

Despite the turnover increased by 12.6%, the unsatisfactory performance was mainly due to the fall in gross profit margin when executing stock clearance exercise, which let gross profit drop by HK\$7.6 million or HK\$13.7 million after excluding the HK\$6.1 million stock provision written back. An operating loss of HK\$9.4 million, before finance costs, was recorded compared with an operating loss of HK\$4.5 million in last corresponding period.

In the PRC, turnover lifted up 25% but fall in gross profit margin out-weighted positive effect of turnover increase. Under the circumstances with unstable climate and natural disaster in first half year, we promoted sales by offering greater discount causing greater loss contribution during the period. The shop number in the PRC decreased from 218 in June 2007 to 167 in June 2008.

In Taiwan, we have adjusted our retail shop network from 53 shops to 46 shops in June 2008. Great effort, had been made to control corporate administrative expenses, and were gradually reflected in the first half year result.

The market in Hong Kong was remained tough. The number of retail shops reduced from 4 at last year-end to 3 in June 2008, and HK\$1.5 million operating loss was recorded for the period.

In Singapore, turnover was decreased by 19% and a small operating profit was recorded.

Liquidity and Financial Resources

At 30 June 2008, there was no borrowing from High Fashion International Limited. There are no charges on the Group's asset. The Group has no borrowings at fixed interest rates. The Group also has no long-term borrowings.

As of the balance sheet date, the Group had HK\$24.5 million bank borrowings, which reduced by HK\$5.2 million as from 31 Dec 2007. Interest expenses reduced from HK\$3.8 million to HK\$390,000 since most of the loans were repaid in the first quarter of 2008.

The Group's receivables were mainly denominated in Hong Kong dollars, Renminbi and New Taiwan dollars. The entire bank borrowing and other borrowing were either denominated in Hong Kong dollars or Renminbi. With recent appreciation of RMB, the Group fixed a 28 months HK\$/RMB forward contract with bank to hedge against the purchasing cost in Taiwan and South East Asia market, which mitigated most of the foreign exchange risk.

As at 30 June 2008, the current ratio was 2.2. Based on the current cash position and available banking facilities, the Group should have sufficient liquidity to meet its operational needs.

Human Resources

As of 30 June 2008, the total number of employees of the Group including factory workers was about 2,000. 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. The Group has granted no options during the period.

General

The Group had no material contingent liabilities as of the balance sheet date. There was no material capital expenditure during the period.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2008 (Six months ended 30 June 2007: Nil) to the shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the “Code”) of the Listing Rules throughout the period for the six months ended 30 June 2008, except for the following deviation.

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Lam Foo Wah is the Chairman and Chief Executive Officer (“CEO”) of the Company. The Board considers that the function of the Chairman and CEO in the Company’s strategic planning and development process are overlapping and it may not be for the benefit of the Company to have separate individuals occupying these two offices in the condition of the Group and its stage of development.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2008, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s listed securities.

REVIEW OF ACCOUNT

The Audit Committee of the Company, assisted by independent auditor, has reviewed the Group’s unaudited condensed consolidated financial information and interim report for the six months ended 30 June 2008.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (www.theme.com.hk) and the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

The 2008 Interim report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises of (1) executive directors: Mr. Lam Foo Wah and Ms. So Siu Hang, Patricia; and (2) independent non-executive directors: Mr. Mak Kam Sing, Mr. Wong Shiu Hoi, Peter and Mr. Leung Hok Lim.

By Order of the Board
Theme International Holdings Limited
Lam Foo Wah
Chairman & CEO

Hong Kong, 16 September 2008