Theme

Theme International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 990)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 2009 together with the comparative figures.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE		**125,171**	175,258
Cost of sales		**(58,625)**	(92,770)
Gross profit		**66,546**	82,488
Other income		**1,746**	6,381
Gain on disposal of a jointly controlled entity		**-**	1,456
Selling and distribution expenses		**(58,601)**	(67,853)
Allowances for amounts due from a jointly controlled entity		**(11,313)**	-
Impairment loss on property, plant and equipment		**(10,460)**	-
Administrative expenses		**(26,574)**	(31,870)
Finance costs	4	**(525)**	(583)
LOSS BEFORE TAXATION		**(39,181)**	(9,981)
Tax charge	5	**(2,491)**	(131)
LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY	6	**(41,672)**	(10,112)
Other comprehensive income (expense)			
Exchange differences arising on translation to presentation currency		**111**	6,980
Loss (gain) on fair value changes on cash flow hedges		**(935)**	5,594
Reclassification adjustment to profit or loss for cash flow hedges		**(246)**	-
Other comprehensive (expense) income for the period (net of tax)		**(1,070)**	12,574
Total comprehensive (expense) income for the period		**(42,742)**	2,462
LOSS PER SHARE	7		
Basic		**(4.65 HK cents)**	(1.13 HK cents)

Condensed Consolidated Statement of Financial Position
At 30 June 2009

	Notes	**30 June 2009 (Unaudited) *HK$'000***	31 December 2008 (Audited) *HK$'000*
Non-Current Assets			
Property, plant and equipment		**34,496**	50,457
Intangible assets		**-**	-
Prepaid lease payments		**35,422**	35,708
Investments in associates		**-**	-
Investments in jointly controlled entities		**-**	-
Available-for-sale investments		**675**	675
Derivative financial instruments		-	419
Deferred taxation		-	1,795
		70,593	89,054
Current Assets			
Inventories		**31,843**	49,495
Trade receivables	*9*	**22,068**	32,908
Deposits, prepayments and other receivables		**17,906**	22,268
Derivative financial instruments		**-**	1,878
Amounts due from fellow subsidiaries		**12,188**	21,829
Amounts due from jointly controlled entities		**-**	17,713
Bank balances and cash		**41,570**	25,057
		125,575	171,148
Current Liabilities			
Trade payables	*10*	**20,083**	23,854
Other payables and accrued charges		**38,817**	37,657
Amount due to fellow subsidiary		**24**	387
Amount due to an associate		**594**	594
Amount due to a jointly controlled entity		**-**	17,713
Taxation		**1,305**	1,401
Bank borrowings		**640**	1,149
		61,463	82,755
Net Current Assets		**64,112**	88,393
		134,705	177,447
Capital And Reserves			
Share capital		**8,965**	8,965
Reserves		**125,740**	168,482
		134,705	177,447

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosures 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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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 these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) - INT 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) - INT 13	Customer loyalty programmes
HK(IFRIC) - INT 15	Agreements for the construction of real estate
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation

HKFRS 8 - Operating Segments

HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

HKAS 1 (Revised) - Presentation of Financial Statements

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

The adoption of these new or revised standards, amendments and interpretations had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised)	Consolidated and separate financial statement[1]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HK(IFRIC) - INT 17	Distribution of non-cash assets to owners[1]
HK(IFRIC) - INT 18	Transfer of assets from customers[4]

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010.
[4] Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors of the Company, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's revenue is currently derived from four regions - Hong Kong and Macau, People's Republic of China ("PRC"), Taiwan and Singapore. Internal reports are prepared by regions and regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess the performance of respective regions.

Six months ended 30 June 2009 (unaudited)

	Hong Kong and Macau *HK$'000*	**PRC** *HK$'000*	**Taiwan** *HK$'000*	**Singapore** *HK$'000*	**Consolidated** *HK$'000*
Revenue					
External sales	**4,208**	**81,082**	**38,154**	**1,727**	**125,171**
Segment (loss) profit	**(1,004)**	**(17,933)**	**1,812**	**217**	**(16,908)**
Interest income					**25**
Finance costs					**(525)**
Impairment loss on property, plant and equipment					**(10,460)**
Allowances for amounts due from a jointly controlled entity					**(11,313)**
Loss before taxation					**(39,181)**

Six months ended 30 June 2008 (unaudited)

	Hong Kong and Macau *HK$'000*	PRC *HK$'000*	Taiwan *HK$'000*	Singapore *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	9,402	109,104	53,495	3,257	175,258
Segment (loss) profit	(3,014)	(7,773)	(327)	239	(10,875)
Interest income					21
Finance costs					(583)
Gain on disposal of a jointly controlled entity					1,456
Loss before taxation					(9,981)

Segment (loss) profit represents the profit (loss) earned by each segment without allocation of interest income, finance costs, gain on disposal of a jointly controlled entity, impairment loss on property, plant and equipment and allowances for amounts due from a jointly controlled entity. Depreciation of certain property, plant and equipment and other corporate administration costs are allocated to the reportable segments with reference to sales generated by those segments. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. Finance costs

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank charges	**508**	193
Interest on :		
Bank loans, overdrafts and amount due to immediate holding company wholly repayable within five years	**17**	390
	525	583

5. Tax charge

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Tax charge comprises:		
Current tax		
PRC and other jurisdictions	**(209)**	(214)
Underprovision in prior years		
Other jurisdictions	**(487)**	-
Deferred tax	**(1,795)**	83
	(2,491)	(131)

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.

PRC Enterprise Income Tax is calculated at the rate prevailing in the relevant districts of the PRC.

Taxation for other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

6. Loss for the period attributable to the shareholders of the Company

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging (crediting):		
Write back for obsolete inventories (Note a)	**(1,363)**	(6,161)
Allowance for bad and doubtful debts	**94**	1,281
Allowances for amounts due from a joint controlled entity (Note b)	**11,313**	-
Depreciation of property, plant and equipment	**8,475**	4,646
Amortisation of intangible assets	**-**	500
Amortisation of prepaid lease payments	**284**	280
Loss on disposal of property, plant and equipment	**29**	429

Notes:

a) Excess obsolete inventory provisions are written back when the relevant inventories are sold. The amount is included in cost of sales for both years.

b) As the jointly controlled entity has been loss making in recent years, the directors of the Company were in an opinion that the amount advanced to the jointly controlled entity may not be recoverable. As such an allowance of HK$11,313,000 has been provided in the condensed consolidated statement of comprehensive income.

7. Loss per share

The calculation of basic loss per share for the six months ended 30 June 2009 together with the comparative figures for 2008 is based on the following data:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share attributable to owners of the Company	**(41,672)**	(10,112)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares for the purpose of basic loss per share	**896,455,000**	896,455,000

No diluted loss per share for the six months ended 30 June 2008 and 2009 has been presented as the Company had no potential shares outstanding during the periods under review.

8. Interim Dividend

No dividends were paid, declared or proposed during the period. The Directors do not declare the payment of interim dividend.

9. Trade Receivables

The Group allows credit periods of 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 2009	31 December 2008
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 90 days	**19,907**	26,764
91 to 180 days	**1,131**	2,717
181 to 360 days	**169**	2,550
Over 360 days	**861**	877
	22,068	32,908

10. Trade Payables

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

	30 June 2009 (Unaudited)	31 December 2008 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**9,670**	16,450
91 to 180 days	**2,517**	967
181 to 360 days	**1,874**	1,158
Over 360 days	**6,022**	5,279
	20,083	23,854

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Turnover decreased to HK$125 million for the first half year of 2009, a fall of 28.6% when compared with the corresponding period of 2008. Net loss attributable to shareholders was HK$41.7 million for the six-month period, including HK$10.5 million provision for impairment loss on non-current assets and HK$11.3 million provision for amounts due from a jointly controlled entity, compared with a net loss attributable to shareholders of HK$10.1 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		**Six months ended 30 June**	
	2009 (Unaudited)	2008 (Unaudited)	**2009 (Unaudited)**	2008 (Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Retail, Wholesales & Manufacturing of fashion				
Hong Kong & Macau	**4,208**	9,402	**(1,004)**	(3,014)
Taiwan	**38,154**	53,495	**1,812**	(327)
People's Republic of China	**81,082**	109,104	**(17,933)**	(7,773)
Singapore	**1,727**	3,257	**217**	239
	125,171	175,258	**(16,908)**	(10,875)
Gain on Disposal of a Jointly Controlled Entity			**-**	1,456
Operating Loss			**(16,908)**	(9,419)

The poor performance record for the period was mainly due to the operating results and provision for the agency distribution business through a jointly-controlled entity. An operating loss of HK$16.9 million was recorded compared with an operating loss of HK$9.4 million in last corresponding period.

The market in Hong Kong remained tough. The three retail shops are unchanged, and HK$1 million operating loss was recorded for the period.

In Taiwan, our retail shop network remained at 46 shops for the period. Great efforts had been made to control corporate administrative expenses, and were gradually reflected in the first half year result.

In the PRC, turnover decreased by 26% and an operating loss of HK$17.9 million was recorded. Under the difficult financial situation, a greater discount was offered and a greater loss was recorded for the period. The shop number in the PRC decreased from 167 in June 2008 to 139 in June 2009.

In Singapore, turnover decreased by 47% and a small operating profit was recorded.

With the influence of outbreak of swine flu and the financial tsunami, the turnover for the year 2009 would be seriously affected. In addition to the decline in tourism and customer spending, the competition in retail environment remained keen and the marketing situation was still difficult. In coping with the rapidly changing market, we are determined to introduce corrective measure to ensure a fast recovery. We will strive to achieve our stated goal despite major challenges lying ahead.

Liquidity and Financial Resources

At 30 June 2009, 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 and had no long-term borrowings.

As of the balance sheet date, the Group had HK$0.6 million bank borrowings, which reduced by HK$0.5 million as from 31 December 2008. Interest expenses reduced from HK$390,000 to HK$17,000 since part of the loans were repaid in the first quarter of 2009.

The Group's receivables were mainly denominated in Hong Kong dollars, Renminbi and New Taiwan dollars. The entire bank borrowing and other borrowing was denominated in Hong Kong dollars. The Group considers that its foreign exchange risk is not significant.

As at 30 June 2009, the current ratio was 2.0. 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 2009, the total number of employees of the Group including factory workers was about 2,100. 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 did not grant any options during the period.

Post Balance Sheet Event

On 8 August 2009, the Company entered into an agreement with Navigation Limited ("Navigation"), the immediate holding company of Theme, to dispose Theme International Holdings (BVI) Limited and its subsidiaries (other than Taiwan Vision Company Limited and Da Hua Li Company Limited) to Navigation.

On 8 August 2009, Navigation, the immediate holding company of Theme entered into an agreement with an independent third party to sell its 63.28% interests in Theme at a consideration of HK$110.6 million. Please refer to the joint announcement jointly published by the Company, High Fashion International Limited and Golden Bright Energy Limited dated 18 August 2009.

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 does not declare an interim dividend for the six months ended 30 June 2009 (Six months ended 30 June 2008: 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 2009, 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 the 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.

REVIEW OF ACCOUNTS

The Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated financial information and interim report for the six months ended 30 June 2009.

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

During the six months ended 30 June 2009, the Company had not redeemed any of the Company's listed securities, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is made in accordance with Rule 13.49(6) and paragraph 46 of Appendix 16 of the Listing Rules. 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 2009 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, 21 September 2009

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.