Theme

THEME INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 990)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the "Board") of Theme International Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively as the "Group") for the six months ended 30 June 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
			(restated)
Continuing operations			
Revenue	*3*	**52,104**	38,154
Cost of sales		**(26,935)**	(15,150)
Gross profit		**25,169**	23,004
Other income		**170**	71
Selling and distribution expenses		**(22,981)**	(17,521)
Administrative expenses		**(7,618)**	(4,342)
Share-based compensation expense	*4*	**(9,969)**	–
Finance costs		**–**	(6)
(Loss) profit before taxation		**(15,229)**	1,206
Tax charge	*5*	**–**	(1,845)
Loss for the period from continuing operations	*6*	**(15,229)**	(639)

	Notes	Six months ended 30 June **2010** ***HK$'000*** **(unaudited)**	2009 *HK$'000* (unaudited) (restated)
Discontinued operations			
Loss for the period from discontinued operations	*7*	–	(41,033)
Loss for the period attributable to owners of the Company		**(15,229)**	(41,672)
Other comprehensive income (expense)			
Exchange differences arising on translating foreign operations		**(3)**	111
Loss on fair value changes on cash flow hedges		–	(935)
Reclassification adjustments to profit or loss for cash flow hedges		–	(246)
Other comprehensive expense for the period		**(3)**	(1,070)
Total comprehensive expense for the period		**(15,232)**	(42,742)
			(restated)
Loss per share	*8*		
From continuing and discontinued operations			
Basic		**HK(0.42) cent**	HK(1.16) cent
From continuing operations			
Basic		**HK(0.42) cent**	HK(0.02) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	**30 June 2010 HK$'000 (unaudited)**	31 December 2009 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**1,906**	1,911
Current assets			
Inventories		**7,942**	12,626
Trade receivables	*10*	**6,971**	7,539
Deposits, prepayments and other receivables		**16,129**	4,738
Bank balances and cash		**72,394**	16,887
		103,436	41,790
Current liabilities			
Trade payables	*11*	**2,243**	4,157
Other payables and accrued charges		**25,643**	26,821
Dividend payable		**7**	11
		27,893	30,989
Net current assets		**75,543**	10,801
Net assets		**77,449**	12,712
Capital and reserves			
Share capital	*12*	**9,140**	8,965
Reserves		**68,309**	3,747
Total equity		**77,449**	12,712

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited condensed consolidated financial statements have been reviewed by our auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

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

The unaudited condensed consolidated financial statements have been prepared in accordance with the accounting policies used in the annual financial statements of the Company for the year ended 31 December 2009. 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 period beginning on 1 January 2010.

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

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

HKAS 32 (Amendment)	Classification of Rights Issues[1]
HKFRSs(Amendments)	Improvements to HKFRSs 2010[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First-time Adopters[3]
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments[3]
HK(IFRIC)-INT 14 (Amendment)	Prepayment of a Minimum Funding Requirement[4]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKFRS 9	Financial Instruments[5]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

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

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to outsider customers, less discounts and sales related tax, from continuing operations for the period.

The chief operating decision maker of the Company is the board of directors of the Company. Pursuant to the new appointment of the chief operating decision maker on 28 October 2009, internal reports reviewed by the newly appointed decision maker are no longer analysed by geographical segments. The internal report present only one operating segment, which is the retailing business, to the decision maker for the purpose of allocating resources and assessing performances.

The segment revenue derived from the continuing operations of HK$52,104,000 (2009: HK$38,154,000) and segment result derived from the continuing operations has the loss before taxation of HK$351,000 (2009: profit before taxation of HK$2,828,000) (excluding corporate administrative expenses incurred by the Company of HK$14,878,000 (2009: HK$1,622,000)).

The segment revenue and segment result derived from the discontinued operations for the period ended 30 June 2009 is HK$87,017,000 and loss before taxation of HK$40,387,000 respectively.

4. SHARE-BASED COMPENSATION EXPENSE

The Group has no outstanding options at the beginning of the period.

On 15 April 2010, the Company granted 180,000,000 share options to certain of its directors, employees and other eligible participants at the exercise price of HK$1.70 per share with 2 years vesting period. The closing share price at date of grant on 15 April 2010 was HK$1.63.

On 21 June 2010, the Company granted 20,000,000 share options to a director at the exercise price of HK$1.70 per share with 2 years vesting period. The closing share price at date of grant on 21 June 2010 was HK$1.17.

The fair values of share options granted in 2010 were determined using the Black-Scholes Option Pricing Model. Significant inputs into the calculation included expected volatilities ranging from 38.74% to 49.43%, estimated weighted average expected life of 3 years, risk-free interest rates ranging from 0.95% to 2.02% and dividend yield of 0%.

The fair values of the share options granted in 2010, measured at the date of grant, were approximately HK$99,297,300. As the options vest after two years from the dates of grant, the amounts are recognised as share-based compensation in profit or loss over 2 years from the date of grant. An amount of HK$9,969,388 has been charged as share-based compensation expense to profit or loss during the period (2009: Nil). The corresponding amount has been credited in share-based compensation reserve.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

5. TAX CHARGE

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Current tax	**–**	–
Deferred tax	**–**	(1,845)
	–	(1,845)

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. The Hong Kong corporate profits tax rate was 16.5%.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions. On 28 April 2010, the Taiwan legislature voted to amend the Income Tax Act to lower the corporate income tax rate from 20% to 17%. The corporate tax cut is effective retroactively as from 1 January 2010.

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Loss for the period has been arrived at after charging (crediting):		
Allowance (write back) for obsolete inventories	**1,586**	(843)
Depreciation of property, plant and equipment	**600**	1,103
Operating lease rentals in respect of rented premises	**3,989**	3,109
Contingent rents *(note a)*	**7,632**	5,747
Directors' emoluments *(note b)*	**3,881**	180
Other staff costs *(note c)*	**9,703**	5,738

Notes:

(a) The contingent rents are determined based on a certain percentage of the gross sales of the relevant shops when the sales meet certain specified levels.

(b) Directors' emoluments include fees, remuneration, retirement benefits scheme contributions and share-based compensation expense.

(c) Other staff costs include salaries, allowances, retirement benefits scheme contributions and share-based compensation expense.

7. DISCONTINUED OPERATIONS

The results of discontinued operations for the six months ended 30 June 2009, which have included in the condensed consolidated statement of comprehensive income, were as follows:

	HK$'000 (unaudited)
Revenue	87,017
Cost of sales	(43,475)
Other income	1,675
Selling and distribution expenses	(41,080)
Administrative expenses	(22,727)
Allowance for amount due from a jointly controlled entity	(11,313)
Impairment loss on property, plant and equipment	(10,460)
Finance costs	(24)
Loss before taxation	(40,387)
Tax charge	(646)
Loss for the period from discontinued operations	(41,033)

Loss for the period from discontinued operations included the following:

	HK$'000 (unaudited)
Write back of allowance for obsolete inventories	(670)
Allowance for bad and doubtful debts	94
Depreciation of property, plant and equipment	7,372
Amortisation of prepaid lease payments	284
Operating lease rentals in respect of rented premises	11,686
Contingent rents	6,234
Loss on disposal of property, plant and equipment	25
Staff costs (including salaries, allowances and retirement benefits scheme contributions)	17,715

During the period ended 30 June 2009, the Disposal Group contributed approximately HK$39 million to the Group's net operating cash flows, paid HK$18 million in respect of investing activities and paid HK$6 million in respect of financing activities.

8. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company for continuing and discontinued operations is based on the following data:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss attributable to owners of the Company		
From continuing operations	**(15,229)**	(639)
From discontinued operations	**–**	(41,033)
From continued and discontinued operations	**(15,229)**	(41,672)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,588,153**	3,585,820

The calculation of basic loss per share attributable to the owners of the Company for both periods have been adjusted as a result of the Company's share subdivision in December 2009 as appropriate.

Basic loss per share from the discontinued operations is HK1.14 cent per share in 2009, based on the loss for the period in 2009 from the discontinued operations of HK$41,033,000 and the denominators detailed above for basic loss per share.

No diluted loss per share for the six months ended 30 June 2010 and 2009 has been presented as the Company had no potential shares outstanding during the periods under review. No share was available for issue under the Share Option Scheme as at 30 June 2010 and 2009. The earliest date for the exercise of the granted share options is 15 April 2012.

9. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the period. The directors do not recommend the payment of an interim dividend (2009: Nil).

10. TRADE RECEIVABLES

The Group allows credit periods of 90 days to most of its trade customers.

The aging analysis of trade receivables, net of allowance for bad and doubtful debts, presented based on the invoice date at the end of the reporting period is stated as follows:

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 90 days	**6,971**	7,527
91 to 180 days	**–**	12
	6,971	7,539

11. TRADE PAYABLES

The following is an aging analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 90 days	**2,243**	4,157

12. SHARE CAPITAL

	Number of shares		**Amount**	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
At the beginning of the period/year	**200,000,000**	50,000,000	**500,000**	500,000
Share subdivision *(note a)*	**–**	150,000,000	**–**	–
At the end of the period/year	**200,000,000**	200,000,000	**500,000**	500,000
Issued and fully paid:				
At the beginning of the period/year	**3,585,820**	896,455	**8,965**	8,965
Share subdivision *(note a)*	**–**	2,689,365	**–**	–
Placing of shares *(note b)*	**70,000**	–	**175**	–
At the end of the period/year	**3,655,820**	3,585,820	**9,140**	8,965

Notes:

(a) Pursuant to the shareholders' approval at the special general meeting dated 29 December 2009, each of the then-existing issued and unissued shares of HK$0.01 each in the share capital of the Company was subdivided into four subdivided shares of HK$0.0025 each ("Subdivided Share"). Immediately upon the share subdivision becoming effective, the authorised share capital of the Company became HK$500,000,000 divided into 200,000,000,000 Subdivided Shares, of which 3,585,819,836 Subdivided Shares were in issue and fully paid.

(b) On 18 June 2010, the Company entered into a subscription agreement with Sonic Way Limited ("Sonic Way"), pursuant to which Sonic Way has agreed to subscribe and the Company has agreed to allot and issue 70,000,000 shares in the share capital of the Company of HK$0.0025 each at the subscription price of HK$1.00 each. On 25 June 2010, the Company issued and allotted 70,000,000 shares to Sonic Way under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 3 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

On 28 October 2009, the Company completed the disposal of Theme International Holdings (BVI) Limited and its subsidiaries (the "Disposal Group"), which engaged in the business of manufacturing, retailing and trading of garments and uniform principally in the People's Republic of China (the "PRC"), Singapore, Hong Kong and Macau (the "Disposal"). Following the Disposal, the principal activity of the Group is retailing garments through the operation of retail outlets and department store counters in Taiwan.

Financial Review

Revenue, loss after taxation and loss per share of the Group for the six months ended 30 June 2010 and 2009 were summarized as follows:

	Revenue		Loss after taxation		Loss per share	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*		
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Continuing Operations	**52,104**	38,154	**(15,229)**	(639)	**HK(0.42)cent**	HK(0.02)cent
Discontinued Operations *(Note)*	–	87,017	–	(41,033)	–	HK(1.14)cent
Total Operations	**52,104**	125,171	**(15,229)**	(41,672)	**HK(0.42)cent**	HK(1.16)cent

Note: The operations in the PRC, Singapore, Hong Kong and Macau were discontinued on 28 October 2009.

The Taiwan economy has yet to recover since the financial crisis in the second half of 2008. The Group has made effort in improving the revenue from the continuing operations by 36.6% to HK$52.1 million for the six months ended 30 June 2010 from HK$38.2 million for the corresponding period in 2009.

However, the high cost of sales has hurt the profit margin which has decreased to 48.3% for the six months ended 30 June 2010 from 60.3% in the corresponding period last year. Affected by the drop in gross profit margin and the increase of the selling and distribution expenses, the loss from continuing operations has significantly increased to HK$5.2 million (excluding the share-based expense of approximately HK$10 million) for the six months ended 30 June 2010 as compared with HK$639,000 for the corresponding period in 2009.

Due to the grant of 200,000,000 share options to the directors, employees and other eligible participants in 2010 under the share option scheme of the Company, share-based compensation expense of approximately HK$10 million was charged to profit and loss during the period under review which was accounted for under HKFRS2. With the inclusion of the share-based compensation expense, the Group recorded loss from continuing operations of HK$15.2 million for the six months ended 30 June 2010.

The Group has disposed the discontinuing operations upon the completion of the Disposal on 28 October 2009. By disposing the loss making Disposal Group, the overall performance of the Group has improved compared with the corresponding period in 2009. The net loss of the Group for total operations improved from HK$41.7 million for the corresponding period in 2009 to HK$15.2 million for the six months ended 30 June 2010. The loss per share decreased from HK1.16 cent for the corresponding period in 2009 to HK0.42 cent for the six months ended 30 June 2010.

Charges on Assets

As at 30 June 2010, none of the Group's assets was charged or subject to any encumbrance.

Contingent Liabilities

As at 30 June 2010, the Group had no material contingent liabilities.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2010, the Group's major assets and liabilities were denominated in the functional currencies of the respective group entities. The Group had no material exposure to foreign exchange fluctuation.

Liquidity and Financial Resources

As at 30 June 2010, the Group had no bank and other borrowings.

As at 30 June 2010, the current ratio was 3.7. Based on the current cash position, the Group should have sufficient liquidity to meet its operational needs.

The liquidity of the Group has significantly improved after the completion of the new shares placement in June 2010. The Company entered into a subscription agreement with Sonic Way Limited on 18 June 2010 in relation to the subscription (the "Subscription") of 70,000,000 shares (the "Subscription Shares") of HK$0.0025 each in the share capital of the Company at HK$1.00 per Subscription Share. The Subscription was completed on 25 June 2010. The net proceeds raised from the Subscription is (i) for repayment of the Company's borrowings and payables (including an interest-free shareholder's loan of HK$10 million to the Company on 5 January 2010); and (ii) for general working capital and future strategic investments of the Group.

Capital Expenditure

There was no material capital expenditure during the period. As at 30 June 2010, the Group has no material capital expenditure commitments.

Human Resources

As at 30 June 2010, the Group had 9 employees in Hong Kong and 122 employees in Taiwan. Other than the competitive remuneration package offered to the employees, share options may also be granted to the selected employees based on the Group's performance.

Events after the End of the Interim Period

On 9 July 2010, Harvest Wealthy International Limited (the "Purchaser"), a wholly owned subsidiary of the Company has entered into a non-legally binding memorandum of undertaking ("MOU") with Mr. Bi Shengyou and Ms. Zhang Cuiyun (collectively the "Vendors") in relation to the proposed acquisition (the "Proposed Acquisition") of Qinglong Manzu Autonomous County Ansheng Mining Company Limited ("Target Company") which is established under the law of People's Republic of China with limited liability. The Target Company operates the Qinglong Manzu Autonomous County Shan Lan Zhang Zi Iron Ore Mine ("Target Mine") and is principally engaged in iron ore exploration and exploitation. Details of the Proposed Acquisition are set out in the announcement of the Company dated 9 July 2010.

Future Prospects

The Group will continue its principal business of retailing of garments in Taiwan and will strive to improve its performance. However, due to challenges from recovery of global economy, the management of the Company believes that the outlook for the retailing business in Taiwan in 2010 will remain dim. The Board and the management of the Company believe that in order to achieve sustainable financial growth for the Group and to maximize shareholders' value, it is in the best interests of the Company to explore business opportunities in other industries.

As mentioned in the annual report of the Company for the year 2009, the Group will leverage on the network and experience of the management of the Company to look for more business opportunities to be brought to the Group and may consider diversifying the business of the Group with an objective to broaden its income source and to enhance the long-term growth potential of the Group. The management of the Company has conducted a detailed review on the business operations and financial position of the Group. The management of the Company and the Board noted that the financial performance of resources related investments had remained relatively healthy amidst the global financial tsunami. Further, with the experience of the management of the Company in the field of energy and resources, the Board considers that it is in the best interests of the Company and its shareholders to diversify the business of the Group into resources related investments. In view of the continued demand in steel and economic growth in the PRC, the Group has entered into a memorandum of understanding on 9 July 2010 in relation to the proposed acquisition (the "Proposed Acquisition") of Qinglong Manzu Autonomous County Shan Lan Zhang Zi Iron Ore Mine. The management of the Company is now carrying out preliminary due diligence review and assessing the risks and returns of the Proposed Acquisition. Up to the date of this announcement, no definitive terms have been agreed and no legally binding agreement has been entered into in relation to the Proposed Acquisition. Apart from the Proposed Acquisition, the Company will continue to look for more business and investment opportunities, including but not limited to the field of energy and resources.

Interim Dividend

The Board did not recommend an interim dividend for the six months ended 30 June 2010 (Six months ended 30 June 2009: 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 2010, except for the following deviation.

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. During the period under review, from 1 January 2010 to 20 June 2010, the Company had no officer with the title of CEO and the role of CEO is temporarily handled by the Chairman. On 21 June 2010, the Company has appointed Mr. Cheung Wing Hong, Shannon as the CEO of the Company. Accordingly, the Company has separate individuals occupying these two offices.

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 of 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 ended 30 June 2010.

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

During the six months ended 30 June 2010, the Company had not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the six months ended 30 June 2010.

AUDIT COMMITTEE AND FINANCIAL INFORMATION

The audit committee of the Company, which comprises three independent non-executive directors of the Company, has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2010, which has also been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.990.com.hk) and the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

The interim report for 2010 of the Company will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
Theme International Holdings Limited
MA CHI SHING
Director

Hong Kong, 12 August 2010

As at the date of this announcement, the Board comprises (i) Mr. Wong Lik Ping, Mr. Cheung Wing Hong Shannon and Mr. Ma Chi Shing as executive directors; (ii) Mr. Huang Bin and Mr. Qiao Weibing as non-executive directors; and (iii) Mr. Kee Wah Sze, Mr. Chan Pat Lam and Mr. To Yan Ming Edmond as independent non-executive directors.