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Theme

THEME INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 990)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The board of directors (the "Directors") of Theme International Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2011 together with the comparative figures for the corresponding period in 2010 as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000
Revenue	3	**99,730**	94,620
Cost of sales		**(43,212)**	(41,298)
Gross profit		**56,518**	53,322
Other income		**150**	556
Selling and distribution expenses		**(51,341)**	(47,971)
Administrative expenses		**(69,142)**	(53,405)
Share of loss of a jointly controlled entity		**(787)**	–
Loss before taxation		**(64,602)**	(47,498)
Income tax expense	6	**(79)**	(84)
Loss for the year attributable to owners of the Company	5	**(64,681)**	(47,582)
Other comprehensive (expense) income			
Exchange differences arising on translating foreign operations		**(368)**	1,192
Total comprehensive expense for the year attributable to owners of the Company		**(65,049)**	(46,390)
Loss per share	8		
Basic		**HK(1.77) cents**	HK(1.31) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000
Non-current assets			
Property, plant and equipment		**6,091**	5,310
Interest in a jointly controlled entity		**–**	–
Loan to a jointly controlled entity		**19,213**	–
		25,304	5,310
Current assets			
Inventories		**13,445**	15,791
Trade receivables	*9*	**7,611**	8,563
Deposits, prepayments and other receivables		**5,095**	12,386
Amount due from a related company		**3,800**	–
Bank balances and cash		**38,436**	63,203
		68,387	99,943
Current liabilities			
Trade payables	*10*	**12,323**	8,101
Other payables and accrued charges		**25,641**	25,975
Dividend payable		**7**	7
Tax payable		**35**	84
		38,006	34,167
Net current assets		**30,381**	65,776
Total assets less current liabilities		**55,685**	71,086
Capital and reserves			
Share capital		**9,140**	9,140
Reserves		**46,545**	61,946
Equity attributable to owners of the Company		**55,685**	71,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HKAS 32	Classification of rights issues
Amendments to HK(IFRIC)-INT 14	Prepayments of a minimum funding requirement
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures-Transfers of financial assets[1]
Amendments to HKFRS 7	Disclosures-Offsetting financial assets and financial liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax-Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC)-INT 20	Stripping costs in the production phase of a surface mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK (SIC)-INT 12 "Consolidation-Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK(SIC)-INT 13 "Jointly controlled entities-Non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. Other than the application of the disclosure standard of HKFRS12, the application of the other four standards is not expected to have material impact on the amounts reported in the consolidated financial statements.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have no material impact on the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group for annual periods beginning on or after 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE

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

4. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses. The Group currently has only one segment, i.e. retailing of garments.

The segment revenue of HK$99,730,000 (2010: HK$94,620,000) and segment loss of HK$5,447,000 (2010: HK$1,220,000) (excluding corporate administrative expenses incurred by the Company of HK$58,368,000 (2010: HK$46,278,000) and share of loss of a jointly controlled entity of HK$787,000 (2010: nil)) are shown in the consolidated statement of comprehensive income.

Revenue was derived from external customers of retailing business located in Taiwan for both years.

5. LOSS FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses (included written back of allowance for obsolete inventories (note a))	**43,212**	41,298
Depreciation of property, plant and equipment	**2,897**	1,835
Net foreign exchange loss (gain)	**230**	(345)
Auditor's remuneration	**890**	782
Operating lease rentals in respect of rented premises	**9,979**	7,555
Contingent rents *(note b)*	**14,863**	14,551
Loss on disposal of property, plant and equipment	**–**	1
Directors' remuneration	**13,896**	10,953
Other staff costs		
Salaries and allowances	**20,294**	17,011
Retirement benefits scheme contributions	**1,029**	970
Share-based compensation expenses	**7,229**	5,038
	28,552	23,019

Notes:

(a) Excess obsolete inventory provisions were written back when the relevant inventories were sold.

(b) 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.

6. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Tax charge comprises:		
Current tax charge	**79**	84

No provision for Hong Kong Profits Tax has been made for both years as the Company and its subsidiaries have no assessable profit arising in Hong Kong.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions. The profit tax rate prevailing in Taiwan is 17% for both years.

7. DIVIDENDS

No dividend was proposed during the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

8. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the following data:

	2011	2010
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share (Loss for the year attributable to owners of the Company)	**(64,681)**	(47,582)

	2011	2010
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,655,820**	3,622,258

No diluted loss per share is presented as the exercise of the Company's share options would result in a decrease in loss per share.

9. TRADE RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**7,611**	8,563
Less: Allowance for bad and doubtful debts	**–**	–
	7,611	8,563

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:

	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**7,611**	8,563

The Group has policy of providing allowance for bad and doubtful debts which is based on the evaluation of collectability and age of accounts and on management's judgement including credit worthiness and past collection history of each client.

10. 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:

	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**8,129**	8,101
91 to 180 days	**4,194**	–
	12,323	8,101

CHAIRMAN'S STATEMENT

Affected by the global economic crisis, the retail market of Taiwan is still weak this year. The Group has taken a series of actions in promoting its sales. The revenue of the Group has increased by 5.4% this year and profit margin has been successfully maintained at 56.7%, almost the same as 2010. Although the loss of the Group has increased from HK$47.6 million in 2010 to HK$64.7 million in 2011, the increase is primarily resulted from the full year effect of the share-based compensation expenses of HK$49.6 million (2010: HK$34.8 million) in 2011. The share-based compensation expense is a non-cash item and it will not affect the profit and loss of the Group after the end of the vesting period of the share options granted in April 2010 and June 2010, which ends in April 2012 and June 2012 respectively.

The Group has established a joint venture company in 2011 with proposed principal business of design, assembling, processing and sales of premium wedge-shaped synthetic jade stone floor panels and related premium jade decoration products. The machineries are custom-made by and purchased from a manufacturer in Japan. Due to the 2011 Japan earthquake and various modifications of the specification of the machineries, the production plan has been postponed to the second half of 2012. The plant is now under construction and scheduled to be completed in July 2012. Once the machineries are imported from the Japan manufacturer, we will carry out test runs immediately. Assuming no further adjustments are required, the joint venture company will commence normal business operation in late 2012.

The Group will continue to strengthen the business of retailing of garments in Taiwan and accelerate the commencement of business operation of joint venture company. In addition to the premium synthetic jade stone floor panels business, the Group will continue to look for more business and investment opportunities to diversify the business of the Group and achieve substantial and sustainable financial growth for the Group and to maximize shareholder's value.

I would like to take this opportunity to express my deepest gratitude to all the shareholders, my fellow directors, management team and staff of the Group for their support and contributions to the Group throughout the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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 for the year and loss per share of the Group for the years ended 31 December 2011 and 2010 were summarized as follows:

	Revenue		Loss for the year		Loss per share	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*		
From operations	**99,730**	94,620	**(64,681)**	(47,582)	**HK(1.77)cents**	HK(1.31)cents

Affected by the global economic crisis, the retail market of Taiwan is still weak this year. The Group has taken a series of actions in promoting its sales. The revenue of the Group has increased by 5.4% this year and profit margin has been successfully maintained at 56.7%, almost the same as 2010. Although the loss of the Group has increased from HK$47.6 million in 2010 to HK$64.7 million in 2011, the increase is primarily resulted from the full year effect of the share-based compensation expenses of HK$49.6 million (2010: HK$34.8 million) in 2011. The share-based compensation expense is a non-cash item and it will not affect the profit and loss of the Group after the end of the vesting period of the share options granted in April 2010 and June 2010, which ends in April 2012 and June 2012 respectively.

The basic loss per share increased from HK1.31 cents for the year ended 31 December 2010 to HK1.77 cents for the year ended 31 December 2011.

Charges on Assets

As at 31 December 2011, none of the Group's assets was charged or subject to any encumbrance.

Contingent Liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

Exposure to Fluctuations in Exchange Rates

The Group's major monetary assets and liabilities are denominated in the functional currencies of the respective group entities, except for one other payable balance denominated in HK$ of a group entity with New Taiwan Dollar ("TWD") as its functional currency. The equivalent amount of HK$ of the other payable is HK$16,441,000 (2010: HK$17,113,000). Other than the other payable as stated above, the directors consider that the Group's exposure to foreign currency exchange risk is insignificant.

Liquidity and Financial Resources

As at 31 December 2011, the Group had no bank and other borrowings.

As at 31 December 2011, the current ratio was 1.8. Based on the current cash position and available banking facilities, the Group should have sufficient liquidity to meet its operational needs.

Establishment of Joint Venture Company

The Group has established a joint venture company in 2011 with proposed principal business of design, assembling, processing and sales of premium wedge-shaped synthetic jade stone floor panels and related premium jade decoration products. The plant is now under construction and scheduled to be completed in July 2012. During 2011, the joint venture company had not commenced its business operation.

Capital Expenditure

The total capital expenditure of the Group for 2011 was approximately HK$23.8 million, of which HK$3.8 million was for addition of furniture, fixtures and other equipment and HK$20 million was loan to a jointly controlled entity as a shareholder's loan for setting up the synthetic jade stone floor panels business in the PRC.

As at 31 December 2011, the Group has no material capital expenditure commitments.

Human Resources

As at 31 December 2011, the Group had 13 employees in Hong Kong and 173 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.

DIVIDEND

No dividend was proposed during the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 May 2012 to 9 May 2012 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 4 May 2012.

FUTURE PROSPECTS

The Group will continue to strengthen the business of retailing of garments in Taiwan and accelerate the commencement of business operation of the joint venture company. In addition to the premium synthetic jade stone floor panels business, the Group will continue to look for more business and investment opportunities to diversify the business of the Group and achieve substantial and sustainable financial growth for the Group and to maximize shareholder's value.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions and to certain extent of the recommended best practices set out in Appendix 14 Code on Corporate Governance Practices of the Listing Rules throughout the accounting year ended 31 December 2011.

AUDIT COMMITTEE AND FINANCIAL INFORMATION

The audit committee of the Company, which comprises three independent non-executive directors of the Company, has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2011.

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 2011 annual report 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, 20 March 2012

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 as non-executive director; and (iii) Mr. Kee Wah Sze, Mr. Chan Pat Lam and Mr. To Yan Ming Edmond as independent non-executive directors.