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 2012

The board of directors (the "Directors") 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 2012 together with the comparative figures for the corresponding period in 2011 as follows:–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
		2012	2011
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*3*	**44,032**	57,104
Cost of sales		**(22,503)**	(26,801)
Gross profit		**21,529**	30,303
Other income		**306**	82
Selling and distribution expenses		**(23,374)**	(27,282)
Administrative expenses		**(8,794)**	(10,351)
Share-based compensation expense	*5*	**(14,885)**	(24,824)
Share of loss of a jointly controlled entity		**(1,593)**	–
Loss before taxation		**(26,811)**	(32,072)
Income tax expense	*6*	**–**	(28)
Loss for the period attributable to owners of the Company	*7*	**(26,811)**	(32,100)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
		2012	2011
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Other comprehensive income			
Exchange differences arising on translating foreign operations		**162**	305
Total comprehensive expense for the period attributable to owners of the Company		**(26,649)**	(31,795)
Loss per share	*8*		
Basic		**HK(0.73) cent**	HK(0.87) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 June 2012

	Notes	**30 June 2012 HK$'000 (unaudited)**	31 December 2011 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**5,281**	6,091
Interest in a jointly controlled entity		**–**	–
Loan to a jointly controlled entity		**17,620**	19,213
		22,901	25,304
Current assets			
Inventories		**11,018**	13,445
Trade receivables	*9*	**7,508**	7,611
Deposits, prepayments and other receivables		**5,453**	5,095
Amount due from a related company		**–**	3,800
Bank balances and cash		**32,438**	38,436
		56,417	68,387
Current liabilities			
Trade payables	*10*	**12,304**	12,323
Other payables and accrued charges		**23,086**	25,641
Dividend payable		**7**	7
Tax payable		**–**	35
		35,397	38,006
Net current assets		**21,020**	30,381
Total assets less current liabilities		**43,921**	55,685
Capital and reserves			
Share capital		**9,140**	9,140
Reserves		**34,781**	46,545
Equity attributable to owners of the Company		**43,921**	55,685

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 the audit committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of financial assets
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets

3. REVENUE

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

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$44,032,000 (2011: HK$57,104,000) and segment loss of HK$6,238,000 (2011: loss of HK$1,444,000) (excluding the corporate administrative expenses, share based compensation expenses and share of loss of a jointly controlled entity of HK$20,573,000 in total (2011: HK$30,656,000)).

5. SHARE-BASED COMPENSATION EXPENSE

During the six months ended 30 June 2012, no options were granted.

The options outstanding at 30 June 2012 had exercise prices of HK$1.7 and a weighted average remaining contractual life of 7.75 years.

5. **SHARE-BASED COMPENSATION EXPENSE - continued**

The fair value of the options granted in 2010, measured at the date of grant, totalled approximately HK$99,297,300. As the options have been vested after two years from the dates of grant, the amounts are recognised as share-based compensation in profit or loss over two years from the date of grant. An amount of HK$14,885,000 (2011: HK$24,824,000) has been charged as share compensation expense in profit or loss during the period. The corresponding amount has been credited to 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.

6. **INCOME TAX EXPENSE**

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax charge	**–**	28

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.

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

7. **LOSS FOR THE PERIOD**

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Allowance for obsolete inventories	**2,769**	2,874
Depreciation of property, plant and equipment	**1,716**	1,434
Operating lease rentals in respect of rented premises	**3,462**	4,563
Contingent rents *(note a)*	**7,900**	8,641
Directors' remuneration *(note b)*	**5,179**	7,007
Other staff costs *(note c)*	**12,021**	13,787

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, remunerations, retirement benefits scheme contributions and share-based compensation expenses.

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

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Losses		
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	**(26,811)**	(32,100)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,655,820**	3,655,820
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**77,252**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**3,733,072**	3,655,820

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

9. 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 2012	31 December 2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 90 days	**7,508**	7,611

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:

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 90 days	**12,304**	8,129
91 to 180 days	**–**	4,194
	12,304	12,323

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.

In addition, 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 construction of the plant was completed and we are now awaiting for the key machineries be delivered from a manufacturer. According to the current business plan, the plant will carry out test run in fourth quarter of 2012 and will commence commercial operation in 2013.

The Group will continue to look for more business and investment opportunities to improve the financial performance of the Group and maximize the shareholders' investment value.

Financial Review

Revenue, loss after taxation and loss per share of the Group for the six months ended 30 June 2012 and 2011 were summarized as follows:

	Revenue		Loss after taxation		Loss per share	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*		
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
From Operations	**44,032**	57,104	**(26,811)**	(32,100)	**HK(0.73) cent**	HK(0.87) cent

The recent European financial crisis has slowed down the growth of the Taiwan's economy. Its impact on the retail sector is significant. Accordingly, the Group's revenue has dropped by almost 23% to HK$44 million for the six months ended 30 June 2012 from HK$57.1 million for the corresponding period in 2011.

The increase in cost of sales has reduced the gross profit margin to 48.9% for the six months ended 30 June 2012 from 53.1% for the corresponding period in 2011. Even though the Group has implemented a series of measures to control the selling, distribution and administrative expenses, the Group recorded a loss of HK$10.3 million (excluding share-based compensation expenses and share of loss of a jointly controlled entity) for the six months ended 30 June 2012 (2011: loss of HK$7.3 million).

The joint venture company has not yet commenced the business production but some expenses was incurred for setting up the production line during the period. For the six months ended 30 June 2012, the Group shared the loss of a jointly controlled entity of HK$1.6 million (2011: HK$nil).

Due to the drop of the share-based compensation expense to HK$14.9 million for the six months ended 30 June 2012 from HK$24.8 million for the corresponding period in 2011, the loss of the Group has been reduced to HK$26.8 million for the six months ended 30 June 2012 from HK$32.1 million for the corresponding period in 2011.

The loss per share decreased from HK0.87 cents for the corresponding period in 2011 to HK0.73 cents for the six months ended 30 June 2012.

Charges on Assets

As at 30 June 2012, none of the Group's assets was charged or subject to any encumbrance.

Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2012, 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 2012, the Group had no bank and other borrowings.

As at 30 June 2012, the current ratio was 1.6. Based on the current cash position and available banking facilities, the Group should have sufficient liquidity to meet its operational needs.

Capital Expenditure

During the period, additions to the Group's property, plant and equipment amounted to HK$1,028,000 (2011: HK$1,937,000).

As at 30 June 2012, the Group has no material capital expenditure commitment.

Human Resources

As at 30 June 2012, the Group had 13 employees in Hong Kong and 144 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.

INTERIM DIVIDEND

The Board did not recommend an interim dividend for the six months ended 30 June 2012 (Six months ended 30 June 2011: Nil) to the shareholders.

FUTURE PROSPECTS

The Group will strive to improve the financial performance of the retailing garment business in Taiwan and accelerate the commencement of business operation of the joint venture company. 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 to maximize shareholders' value.

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

During the six months ended 30 June 2012, the Company had not redeemed any of its securities. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's securities during the six months ended 30 June 2012.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 (the "Code") of the Listing Rules throughout the period for the six months ended 30 June 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has made specific enquiries with all directors of the Company and each of them confirmed that they have complied with the Model Code during the six months ended 30 June 2012.

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 2012.

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 2012 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, 23 August 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.