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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 2014

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, the “Group”) for the six months ended 30 June 2014 together with the comparative figures for the corresponding period in 2013 as below:–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
Revenue	3	40,885	44,709
Cost of sales		(16,243)	(22,004)
Gross profit		24,642	22,705
Other income		55	77
Selling and distribution expenses		(22,762)	(24,110)
Administrative expenses		(10,357)	(8,251)
Share of loss of a jointly controlled entity		–	(32)
Loss before taxation	6	(8,422)	(9,611)
Income tax expense	5	–	–
Loss for the period attributable to owners of the Company		(8,422)	(9,611)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME – CONTINUED**

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(unaudited)
Other comprehensive income			
Exchange differences arising on translating foreign operations		<u>579</u>	<u>207</u>
Total comprehensive expense for the period attributable to owners of the Company		<u>(7,843)</u>	<u>(9,404)</u>
Loss per share	7		
Basic and diluted		<u>HK(0.23) cent</u>	<u>HK(0.26) cent</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30 June 2014 <i>HK\$'000</i> (unaudited)	31 December 2013 <i>HK\$'000</i> (audited)
	Notes		
Non-current assets			
Property, plant and equipment		4,691	4,209
Interest in a jointly controlled entity		—	—
Loan to a jointly controlled entity		—	—
		<u>4,691</u>	<u>4,209</u>
Current assets			
Inventories		8,651	9,395
Trade receivables	8	6,167	7,807
Deposits, prepayments and other receivables		5,665	4,764
Bank balances and cash		32,765	29,712
		<u>53,248</u>	<u>51,678</u>
Current liabilities			
Trade payables	9	21,816	19,022
Other payables and accrued charges		11,566	24,439
Dividend payable		7	7
Tax payable		—	26
Amount due to a shareholder	10	20,000	—
		<u>53,389</u>	<u>43,494</u>
Net current (liabilities) assets		<u>(141)</u>	<u>8,184</u>
Total assets less current liabilities		<u><u>4,550</u></u>	<u><u>12,393</u></u>
Capital and reserves			
Share capital		9,140	9,140
Reserves		(4,590)	3,253
Equity attributable to owners of the Company		<u><u>4,550</u></u>	<u><u>12,393</u></u>

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 has been reviewed by the audit committee of the Company.

Reference is made to the 2013 Annual Report of the Company, relating to, among others, the use of the “Theme” trademark and related intellectual properties in Taiwan region (collectively, the “Trademark”) by Taiwan Vision Company Limited (“TVCL”), the Company’s major operating subsidiary. On 26 June 2014, TVCL, High Fashion New Media Corporation Limited (“HFNM”) and Angel Star Investment Limited (“ASIL”) entered into a supplemental agreement to the Licence Agreement (“Supplemental Agreement”). Under the Supplemental Agreement, TVCL has the right to use the Trademark on an exclusive basis from 28 October 2014 to 31 December 2016. Upon expiry of the exclusive period under the Supplemental Agreement, TVCL will continue to retain the right to use the Trademark on a non-exclusive basis until 27 October 2019. Accordingly, the Group shall continue to obtain adequate and stable supply of goods in the foreseeable future from the existing suppliers.

Reference is made to the 2013 Annual Report of the Company, relating to, among others, the Group’s major operating subsidiary (Taiwan Vision Company Ltd. (“TVCL”)) is in net liabilities and net current liabilities position, including trade payables and other payables due to a supplier, which were overdue or are repayable on demand. The Company, TVCL and a supplier entered into a settlement agreement on 17 March 2014, pursuant to the agreement, the Group agreed to settle the payables in three instalments, as at the date of approval of the condensed consolidated financial statements, two instalments were settled.

As at 30 June 2014, a shareholder of the Company has provided an interest-free advance to the Company in the amount of HK\$20,000,000 and has agreed to provide further financial support to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future.

In view of the above, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future and continue in operational existence. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

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 2014 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013.

2. PRINCIPAL ACCOUNTING POLICIES - continued

New and revised standards adopted by the Group

In the current interim period, the Group has applied, for the first time, the following new interpretations and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
HK(IFRIC) 21	Levies

The application of these new interpretations and amendments to HKFRSs in the current financial period has no material effect on the amounts reported and/or disclosures set out in these condensed 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 from operations for the period.

4. SEGMENT INFORMATION

Information reported to the executive 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\$40,885,000 (2013: HK\$44,709,000) represents the consolidated revenue of the Group for the six months ended 30 June 2014. The segment loss is reported as HK\$1,876,000 (2013: HK\$5,457,000) which represented loss before taxation excluding corporate administrative expenses and other expense incurred by the Group amounting to HK\$6,546,000 (2013: HK\$4,122,000) and share of loss of a joint venture of HK\$Nil (2013: HK\$32,000).

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax charge	—	—

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 prevailing tax rates in the relevant jurisdictions. The prevailing profit tax rate in Taiwan is 17%.

6. LOSS BEFORE TAXATION

Six months ended 30 June	
2014	2013
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Loss before taxation has been arrived at after charging/(crediting):

Write-back for obsolete inventories	(838)	(382)
Depreciation of property, plant and equipment	1,398	1,386
Loss on disposal of property, plant and equipment	59	35
Net foreign exchange loss	20	178
Operating lease rentals (including contingent rents (<i>note a</i>)) in respect of rented premises	10,543	11,190
Directors' remuneration (<i>note b</i>)	1,168	1,410
Other staff costs (<i>note c</i>)	9,570	8,862
	<u> </u>	<u> </u>

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

7. 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	
2014	2013
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)	(8,422)	(9,611)
	<u> </u>	<u> </u>
	'000	'000

Number of shares

Average number of ordinary shares for the purpose of basic and diluted loss per share	3,655,820	3,655,820
	<u> </u>	<u> </u>

Diluted loss per share does not assume the exercise of the Company's share options as the exercise of the Company's share options would result in a decrease in loss per share.

8. TRADE RECEIVABLES

Trade receivables from third parties mainly represent receivables from department stores in relation to the collection of sales proceeds from concessionaire sales of merchandise to customers. The average credit period granted to the department stores is 60 days (2013: 60 days).

The following 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 which approximated the respective revenue recognition dates:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Within 60 days	6,154	7,807
61 to 180 days	13	—
	6,167	7,807

9. 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 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Within 90 days	5,901	5,033
91 to 180 days	5,323	6,376
181 to 360 days	10,269	7,236
Over 360 days	323	377
	21,816	19,022

10. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder of the Company is the advance of unsecured in nature provided by a shareholder to the Company on an interest free basis and repayable on demand. The shareholder is also a director of the Company. An amount due to a shareholder amounted to HK\$20,000,000 was received during the six months period ended 30 June 2014 and the balance as at 30 June 2014 is HK\$20,000,000.

11. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 12 August 2014, a shareholder of the Company provided an amount of HK\$10,000,000 interest-free advance of unsecured in nature to the Company to finance its business operation.

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. Taiwan Vision Company Ltd. (“TVCL”), a wholly owned subsidiary of the Group, and two third parties entered into a supplemental agreement to the Licence Agreement on 26 June 2014. Upon expiration of its exclusive right to use the trademark of “Theme” on 27 October 2014, TVCL has an exclusive right to use the trademark of “Theme” and related intellectual properties in Taiwan region (collectively the “Trademark”) from 28 October 2014 to 31 December 2016. Upon expiry of the exclusive period to use the Trademark, TVCL will continue to retain the right to use the Trademark on a non-exclusive basis until 27 October 2019. Accordingly, the Group shall continue to obtain adequate and stable supply of goods in the foreseeable future from the existing suppliers.

The revenue of the garment retailing business decreased by around 8.6% for the six months ended 30 June 2014 with a revenue of approximately HK\$41 million.

The other business activity of the Group is operated through a joint venture company and a subsidiary company. They mainly engage in design, assembling, processing and sales of premium wedge-shaped synthetic jade stone floor panels and related premium decoration products, which is known as a new type of construction materials. The joint venture company located in northern China region commenced business operations in the second quarter of 2013. The subsidiary company located in southern China region is on trial production stage and plans to actively expand the marketing of the high-end construction materials. The Directors estimates that the subsidiary company will commence business operation in late 2014 or early 2015. During the reviewed period, the joint venture company recorded a profit but still in a net liability position with accumulated losses and thus did not share any profit or loss to the Group.

On the other hand, reference is made to the announcement of the Company dated 16 March 2014, the Company entered into a non-legally binding Memorandum of Understanding (the “MOU”) with Everest Hill Group Inc. (“Vendor”) on 11 March 2014 to acquire the entire issued share capital of Everest Hill Energy Group Ltd. (the “Target Company”). As at the date of approval of the condensed consolidated financial statements, the due diligence works are currently in process and in line with the schedule proposed by both parties. The proposed transaction is still subject to further negotiations between the Company and the Vendor and the terms of the definitive agreement may deviate from that set out in the MOU. Details of the MOU are set out in the announcement issued on 16 March 2014.

The Group will continue to identify 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 2014 and 2013 were summarized as follows:

	Revenue		Loss after taxation		Loss per share	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
From operations	<u>40,885</u>	<u>44,709</u>	<u>(8,422)</u>	<u>(9,611)</u>	<u>HK(0.23) cents</u>	<u>HK(0.26) cents</u>

The revenue of the Group decreased to approximately HK\$41 million for the six months period ended 30 June 2014 from approximately HK\$44 million for the six months ended 30 June 2013. The gross profit margin increased to 60.3% for the six months ended 30 June 2014 from 50.8% for the same period in 2013.

During the six months period ended 30 June 2014, the joint venture company recorded a profit but still in a net liability position with accumulated losses and thus did not share any profit or loss by the Group (share of loss by the Group in the amount of HK\$33,000 for the same period in 2013).

The board of TVCL has approved the 2014 budget plan and implemented certain measures to improve the performance of retailing garments business. The financial performance of the Group has improved although the revenue of the Group for the six months ended 30 June 2014 dropped by 8.6% than that of the six months ended 30 June 2013. The improvement is mainly attributable to certain cost reduction measures taken by the Group. The loss of the Group reduced to HK\$8.4 million for the six months ended 30 June 2014 from HK\$9.6 million for the six months ended 30 June 2013. The Directors expects that the financial performance for the year ending 31 December 2014 will be further improved.

The loss per share decreased to HK0.23 cents for the six months ended 30 June 2014 from HK0.26 cents for the six months ended 30 June 2013.

Charges on Assets

As at 30 June 2014, none of the Group's assets was pledged or subject to any encumbrance.

Contingent Liabilities

As at 30 June 2014, the Group had no material contingent liabilities.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2014, 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 2014, there is an advance of unsecured in nature in the amount of HK\$20,000,000 provided by a shareholder to the Company on an interest free basis and repayable on demand, the Group had no bank and other borrowings.

As at 30 June 2014, the current ratio was 1.0. Based on the current cash position and available banking facilities, the Group should have sufficient liquidity to meet its operational needs. In addition, a shareholder of the Company has agreed to provide financial support to enable the Group to fully meet its financial obligations when they fall due in the foreseeable future.

Capital Expenditure

During the reviewed period, additions to the Group's property, plant and equipment amounted to HK\$1,849,000. The additions to the Group's property, plant and equipment for the year ended 31 December 2013 amounted to HK\$982,000.

As at 30 June 2014, the Group has no material capital expenditure commitment.

Human Resources

As at 30 June 2014, the Group had 8 employees in Hong Kong and 120 permanent 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 Directors of the Company did not recommend an interim dividend for the six months ended 30 June 2014 (Six months ended 30 June 2013: Nil) to the shareholders.

FUTURE PROSPECTS

The Group will strive to improve the financial performance of the retailing garment business in Taiwan and to improve the business operations in PRC through a joint venture company and accelerate the commencement of the business operation of the subsidiary company. Both of the joint venture company and the subsidiary company are mainly engaged in the business of design, assembling, processing and sales of premium wedge-shaped synthetic jade stone floor panels and related premium decoration products, which is known as the new type of construction materials.

The Group will continue to identify more business and investment opportunities to diversify the business of the Group and achieve substantial and sustainable financial growth to maximize shareholders' investment value.

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

During the six months period ended 30 June 2014, the Company had not redeemed any of its securities. Neither the Company nor any of its subsidiaries had purchased nor sold any of the Company's securities during the six months period ended 30 June 2014.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save and except for Code Provisions A.6.7, E.1.2 and A.2.1 as detailed below, the Company has complied with all the Code Provisions and to a certain extent of the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 (the "CG Code") of the Listing Rules throughout the period for the six months ended 30 June 2014.

Under Code Provision A.6.7 of the CG Code, the independent non-executive directors and non-executive directors should attend general meetings of the Company. Mr. Kee Wah Sze (independent non-executive director), Mr. Goh Choo Hwee (independent non-executive director) and Mr. Huang Bin (non-executive director) were absent from the annual general meeting held on 16 May 2014 ("2014 AGM") due to their other business commitments.

Under Code Provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. The Chairman of the Board was unable to attend the 2014 AGM due to his other business commitments.

Under Code Provision A.2.1, the roles of chairman and chief executive officer (the "CEO") should be separated and should not be performed by the same individual. Given the current corporate structure, the role of CEO is temporarily handled by the chairman. However, the Board considers that it is appropriate and in the best interests of the Company at the present stage as all major decisions are made in consultation with the Board members and the senior management of the Company. The Board believes that Mr. Wong Lik Ping is able to maintain the continuity of the Company's policies and the stability of the Company's operations. The effectiveness of the corporate planning and implementation of corporate strategies and decisions will not be affected. The Board would segregate the roles of the Chairman and CEO when a qualified candidate is appointed as CEO.

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 period ended 30 June 2014.

AUDIT COMMITTEE AND FINANCIAL INFORMATION

The audit committee of the Company, which comprises four 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 2014.

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 2014 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
LIU BING
Executive Director

Hong Kong, 21 August 2014

As at the date of this announcement, the Board comprises (i) Mr. Wong Lik Ping and Mr. Liu Bing as executive directors; (ii) Mr. Huang Bin as non-executive director; and (iii) Mr. Kee Wah Sze, Mr. Chan Pat Lam, Mr. To Yan Ming Edmond and Mr. Goh Choo Hwee as independent non-executive directors.