

Contents

Executive Chairman's Statement	2
Financial Results	
Condensed Consolidated Profit and Loss Account	3
Condensed Consolidated Statement of Recognised Gains and Losses	4
Condensed Consolidated Balance Sheet	5
Condensed Consolidated Cash Flow Statement	7
Notes to Condensed Consolidated Financial Statements	8
Management Discussion and Analysis	12
Other Information	13

Executive Chairman's Statement

It is my pleasure to present the report for the six months period ended 31st March, 2002.

Sales of our Fall/Winter merchandise were sluggish, which caused reduced gross profit margin and extra provision for inventory.

We have changed the core management and put in a new merchandise and design team. Our Fall 2002 line received favourable initial response from our franchisees.

Our franchise expansion in PRC was behind our schedule. We have reorganized the franchise department and progress is evident. We target to expand our PRC retail network to 100 shops by the end of 2002.

We have taken initiatives to improve our merchandise, shop floor operation and support services. Intensifying our marketing efforts, we look forward to improved performance.

On 31st December, 2001, we took over 5 self-managed retail shops in Singapore and 3 franchise shops in Indonesia from our Singapore partner. This acquisition helped to expand our South East Asian markets under the same Theme image.

On behalf of the Board, I want to thank our business partners, bankers, suppliers and our shareholders for their support. I would also like to take this opportunity to thank my fellow directors, the management and our staff for their dedication and hard work.

Lam Foo Wah

Executive Chairman

Hong Kong, 27th June, 2002

Financial Results

The Board of Directors of Theme International Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31st March, 2002 together with the comparative figures are set out as follows:-

Condensed Consolidated Profit and Loss Account

		Six months ended 31st March,	
	<i>Notes</i>	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Turnover		111,043	112,001
Cost of sales		(49,804)	(42,117)
Gross profit		61,239	69,884
Other income		254	1,877
Selling and distribution expenses		(46,861)	(48,450)
Administrative expenses		(24,789)	(21,154)
Profit/(loss) from operating activities	3	(10,157)	2,157
Finance costs	4	(1,240)	(1,278)
Profit/(loss) before tax		(11,397)	879
Tax	5	-	(118)
Net profit/(loss) from ordinary activities attributable to shareholders		(11,397)	761
Earnings/(loss) per share	6	(0.45 cent)	0.03 cent

Financial Results

Condensed Consolidated Statement of Recognised Gains and Losses

	Six months ended 31st March,	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Exchange differences on translation of financial statements of foreign entities	335	910
Net gains not recognised in the profit and loss account	335	910
Net profit/(loss) for the period attributable to shareholders	(11,397)	761
Total recognised gains and losses	(11,062)	1,671
Goodwill eliminated directly against capital reserve	-	(2,007)
	(11,062)	(336)

Financial Results

Condensed Consolidated Balance Sheet

	<i>Notes</i>	31st March, 2002 (Unaudited) HK\$'000	30th September, 2001 (Audited) HK\$'000
Non-current assets			
Fixed assets		12,792	14,372
Interests in associates		(609)	2,712
Long term investment		675	675
		12,858	17,759
Current assets			
Cash and bank balances		11,757	11,604
Time deposits		1,241	1,241
Trade receivables	8	15,436	13,403
Inventories		30,211	27,890
Deposits, prepayments and other receivables		15,076	10,413
Amounts due from fellow subsidiaries		736	349
		74,457	64,900
Current liabilities			
Bank loans and overdrafts		12,407	8,219
Bills payable		-	347
Trade payables and accrued purchases	9	29,405	26,043
Other payables and accruals		12,645	17,032
Tax payable		3,441	3,441
Amounts due to fellow subsidiaries		1,028	728
Amount due to holding company		602	-
		59,528	55,810

Financial Results

Condensed Consolidated Balance Sheet (continued)

	<i>Notes</i>	31st March, 2002 (Unaudited) HK\$'000	30th September, 2001 (Audited) HK\$'000
Net current assets		14,929	9,090
Total assets less current liabilities		27,787	26,849
Non-current liability			
Amount due to holding company		(40,000)	(28,000)
Minority interests		(2,197)	(2,197)
		(14,410)	(3,348)
Capital and reserves			
Issued capital		25,083	25,083
Reserves	10	(105,713)	(94,651)
		(80,630)	(69,568)
Convertible notes		66,220	66,220
		(14,410)	(3,348)

Financial Results

Condensed Consolidated Cash Flow Statement

	Six months ended 31st March,	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	(10,840)	9,084
Returns on investments and servicing of finance	(1,197)	(1,104)
Tax	-	(118)
Investing activities	(1,615)	(4,534)
	<hr/>	<hr/>
Net cash inflow/(outflow) before financing	(13,652)	3,328
Net cash inflow from financing	11,836	2,862
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	(1,816)	6,190
Effect of foreign exchange rate changes, net	442	(815)
Cash and cash equivalents at beginning of period	8,397	9,353
	<hr/>	<hr/>
Cash and cash equivalents at end of period	7,023	14,728
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	11,757	14,728
Bank overdrafts	(10)	-
Trust receipt loans repayable within three months from the date of advance	(4,724)	-
	<hr/>	<hr/>
	7,023	14,728
	<hr/> <hr/>	<hr/> <hr/>

Financial Results

Notes to Condensed Consolidated Financial Statements

1. Accounting policies

a. *Basis of preparation of accounts*

The unaudited consolidated interim financial statements of the Group have been prepared in compliance with Hong Kong Statements of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting", and on the same basis and accounting policies as those adopted in the annual financial statements for the eighteen months ended 30th September, 2001.

b. *Comparative figures*

Certain comparative figures for the six months ended 31st March, 2002 were reclassified as in the opinion of the directors, such reclassification would produce a more appropriate presentation of the Group's operating results.

2. Segmental information

The principal activity of the Group during the period was the manufacturing, retailing and trading of garments. Turnover and profit/(loss) from operations of the Group for the period by geographical location are as follows:

	Turnover Six months ended 31st March,		Profit/(loss) from operating activities Six months ended 31st March,	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Hong Kong	25,513	26,686	(5,246)	949
Taiwan	42,340	41,419	(564)	(3,303)
People's Republic of China	40,833	43,896	(3,065)	4,511
Singapore	2,357	—	(1,282)	—
	<u>111,043</u>	<u>112,001</u>	<u>(10,157)</u>	<u>2,157</u>

Financial Results

3. Profit/(loss) from operating activities

Profit/(loss) from operating activities for the period is arrived at after charging/(crediting):

	Six months ended 31st March,	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Depreciation	2,974	4,043
Provision for bad debt written back, net	-	(7,896)
	<u>2,974</u>	<u>(3,853)</u>

4. Finance costs

	Six months ended 31st March,	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	1,098	1,240
Interest on finance leases	-	1
Bank charges	142	37
	<u>1,240</u>	<u>1,278</u>

5. Tax

	Six months ended 31st March,	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Elsewhere	-	118
	<u>-</u>	<u>118</u>

No Hong Kong profits tax has been provided for the six months ended 31st March, 2002 and 31st March, 2001 as the Group had no assessable profit arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Financial Results

6. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss for the period of HK\$11,397,000 (Net profit for the period ended 31st March, 2001: HK\$761,000) and the weighted average of 2,508,329,402 (Period ended 31st March, 2001: 2,508,329,402) ordinary shares in issue during the period.

The diluted loss per share for the period has not been calculated as the company's share options and convertible notes would have had an anti-dilutive effect.

7. Interim dividend

The directors resolved not to pay an interim dividend to shareholders (Period ended 31st March, 2001: Nil).

8. Trade receivables

	31st March, 2002 (Unaudited) HK\$'000	30th September, 2001 (Audited) HK\$'000
Current to 90 days	15,196	13,164
91 – 180 days	217	205
181 – 360 days	15	23
Over 360 days	8	11
Total	15,436	13,403

The Group allows an average credit period of 30 to 60 days to its trade debtors.

9. Trade payables and accrued purchases

	31st March, 2002 (Unaudited) HK\$'000	30th September, 2001 (Audited) HK\$'000
Current to 90 days	10,140	16,438
91 – 180 days	12,415	5,346
181 – 360 days	3,290	1,179
Over 360 days	3,560	3,080
Total	29,405	26,043

Financial Results

10. Movement of reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st October, 2001	798,599	34,503	(2,007)	(10,581)	(915,165)	(94,651)
Translation of net investments in foreign subsidiaries and associates	-	-	-	335	-	335
Loss for the period	-	-	-	-	(11,397)	(11,397)
At 31st March, 2002	798,599	34,503	(2,007)	(10,246)	(926,562)	(105,713)

11. Related party transactions

The Group had the following transactions with related parties during the period:

	Notes	Six months ended 31st March, 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest expense payable to the holding company	(i)	859	1,036
Commission income received from fellow subsidiaries	(ii)	-	340
Rental expense to a fellow subsidiary	(iii)	210	420
Subcontracting fee income received from fellow subsidiaries	(iv)	-	2,185
Management fee payable to a fellow subsidiary	(v)	3,220	-

Notes:

- (i) Interest expense was payable to the holding company on the loan advance of HK\$40 million (31st March, 2001: HK\$23 million) bearing interest at Hong Kong Prime rate.
- (ii) Commission income was charged to certain subsidiaries of the ultimate holding company for the provision of computer and other services, at an appropriate allocation of costs incurred by the Group.
- (iii) Rental charges were payable to a subsidiary of the ultimate holding company with reference to the prevailing market rate of the office premise.
- (iv) Subcontracting fee income receivable from subsidiaries of the ultimate holding company were charged in the normal course of business and at a consideration decided between parties with reference to the prevailing market price.
- (v) Management fee was payable to a subsidiary of the ultimate holding company for the provision of (a) computer systems and data processing services, (b) financial and management accounting services, (c) human resources support services, (d) office administration services, (e) company secretarial services and (f) logistic services.

12. Contingent liability

As at 31st March, 2002, there was no material contingent liabilities.

Management Discussion and Analysis

Results

For the six months ended 31st March, 2002, the Group's turnover was HK\$111 million, down 0.9% compared to corresponding period. The Group reported an unaudited loss of HK\$11 million for the six months period.

Review of Operations

The apparel retail market in Hong Kong was tough. Rental remained high. Turnover was down 4%. A loss of HK\$5 million was recorded for the region.

In Taiwan, the economic climate and retail environment were sluggish. Taiwan recorded a slight increase of 2% in turnover for the period. Operating result substantially improved.

The Group continued to strategise its marketing network in the PRC. At the end of May, 2002, there were 60 shops in the PRC. Franchised shops were increased to 41 compared to 30 at 30th September, 2001.

Liquidity and Financial Resources

At 31st March, 2002, the aggregate loan amount due to High Fashion International Limited ("High Fashion") was HK\$40 million. Under the facilities granted by High Fashion, Theme could further draw down up to HK\$20 million from High Fashion for working capital purpose. As of the balance sheet date, a total of about HK\$22 million banking facilities were granted to the Group, of which about HK\$11 million were utilized. Apart from the aforesaid and a property mortgage loan of HK\$1.8 million, there are no other material borrowings as of the balance sheet date.

As at 31st March, 2002, the current ratio was 1.25. The Group's liquidity position was healthy.

General

The Group had no material contingent liabilities as of the balance sheet date.

The total number of employees of the Group including factory workers was about 1,200.

Other Information

Purchase, Sale or Redemption of Company's Listed Securities

The Company has not redeemed any of the Company's listed securities during the six months ended 31st March, 2002. During the six months ended 31st March, 2002, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities.

Compliance with Code of Best Practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the period under review.

Directors' Interests in Shares

As at 31st March, 2002, the interests of the Directors and their associates in the share capital of the Company, its subsidiaries and associated corporations as recorded in the register required to be kept under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Director	Nature of interest	Ordinary shares held
Lam Foo Wah	Corporate	1,881,247,050

Note: Mr. Lam Foo Wah has the corporate interest in 1,881,247,050 ordinary shares pursuant to the Practice Note 5 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as a result of his shareholding in High Fashion International Limited. 1,881,247,050 shares are registered in name of Navigation Limited, a wholly-owned subsidiary of High Fashion International Limited (a company listed on The Stock Exchange of Hong Kong Limited).

Save as disclosed above, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company, its subsidiaries or any of its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be kept under section 29 of the SDI Ordinance as at 31st March, 2002.

Other Information

Directors' Rights to Acquire Shares

Apart from the Company's share option scheme, during the six months ended 31st March, 2002 no rights were granted to the Directors, chief executives of the Company, or any of their spouses or children under eighteen years of age to subscribe for equity or debt securities of the Company.

No option was granted to any of the Directors of the Company during the period under review under the share option scheme mentioned above. At 31st March, 2002, there were no share options outstanding which entitle the Directors to subscribe for shares in the Company.

Substantial Shareholders

At 31st March, 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of ordinary shares held	Percentage
Navigation Limited	1,881,247,050*	About 75%
High Fashion International Limited	1,881,247,050*	About 75%
Lam Foo Wah	1,881,247,050*	About 75%

- * Mr. Lam Foo Wah has the corporate interest in 1,881,247,050 ordinary shares pursuant to the Practice Note 5 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as a result of his shareholding in High Fashion International Limited. 1,881,247,050 shares are registered in name of Navigation Limited, a wholly-owned subsidiary of High Fashion International Limited (a company listed on The Stock Exchange of Hong Kong Limited). Of these 1,881,247,050 ordinary shares represent the same interests, and are therefore duplicated amongst the three substantial shareholders.

This interest has also been disclosed as an interest of Mr. Lam Foo Wah in the "Directors' Interests in Shares" above.

Save as disclosed above, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' Interests in Shares", had registered in interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.