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## Results

The Group's turnover for the first half of 2004 was HK\$92 million, representing a small increase from 2003. Profit for the period was HK\$354,000, compared to a net loss of HK\$13.6 million in 2003, reflecting underlying improvement in cost management and sales networking.

## Franchising Business

Expansion of our franchisee network remained our sharp focus. Our strategy is to select and deal through strong regional sole agent in each of our target territories in PRC, who will closely manage and look after our franchisees in his domain. We continue to provide innovative marketing strategies and disqualify weak franchisees.

## Own Shop Business

The PRC and Taiwan are the two anchor markets for own shop business, joined forces with Hong Kong, Macau and Singapore.

We have 23 and 44 shops in the PRC and Taiwan respectively and to be increased to 33 and 50 by the end of this year.

The retail environments in our markets are fiercely competitive inventory management. Accordingly we put in flexibilities in our design and merchandise to satisfy our broadly diversified market needs. We continue to renovate our sales and marketing strategies, improve our merchandising and our shop image and presentation to increase our average out of door price.

## New Chinese Company Name

Our board of directors has resolved to change our Chinese company name to 榮暉國際集團有限公司.

### Prospects

Looking into the year ahead, we will continue vigorously developing our retail business in the PRC and Taiwan, mainly through expanding our franchisee network.

To expand our own retail shops, we have selected the cities of Beijing, Shanghai and Guangzhou as our prime locations in the PRC. Taiwan will have 6 new shops, making a total of 50 shops by the end of the year. The influx of Individual Travellers from the Mainland gives new stamina to Hong Kong's retail industry as a whole. We are prepared to open 4 to 6 new shops in Hong Kong in 2005 to realize this new potential.

We are very clear on our business goals. We will continue to remain focused on cost management, attract new talents and maximize the potential of our people. We are confident that we will deliver reasonable return to our shareholders.

### Appreciation

I want to thank our shareholders, customers, suppliers as well as our staff and management for their continuous support to us.

**Hui Yip Wing, David**

*Chief Executive Officer*

Hong Kong, 14 September 2004



## Results

Turnover for the first half of 2004 was HK\$92 million, comparable to HK\$91 million for 2003. Profit attributable to shareholders was HK\$354,000 for the six months period, compared to a loss attributable to shareholders of HK\$13,620,000 for the last corresponding period.

## Review of Operations

The segmental operating profit and loss is as follows:

	Six months ended		Six months ended	
	30 June 2004	30 June 2003	30 June 2004	30 June 2003
	<b>Turnover</b>		<b>Contribution</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
By geographical area:				
Hong Kong & Macau	10,226	13,327	(426)	(4,013)
Taiwan	47,776	44,758	5,295	3,576
People's Republic of China	29,901	28,166	1,762	(1,272)
Singapore	4,061	5,187	261	(253)
	<b>91,964</b>	<b>91,438</b>	<b>6,892</b>	<b>(1,962)</b>
Less: Corporate Overhead			<b>(7,690)</b>	<b>(9,784)</b>
Operating Loss			<b>(798)</b>	<b>(11,746)</b>

With the stringent control over the cost of sales, the gross profit margin increased from 54% of last corresponding period to 62%.

Under the high rental cost environment, the tough market in Hong Kong remained. We have downsized our retail shops from 9 in the beginning of 2003 to 5 in June 04, and the loss was contained.

In Taiwan, our business has shown good improvement. We continued to strengthen our retail shop network and marketing management to enhance our competitive ability.

In Singapore, a small profit was recorded for the period and improvement is satisfactory.

In the PRC, profit contribution was recorded for the period. We have conducted tremendous efforts on expanding our franchisee network.

At end June 04, there were 88 shops in the PRC, including 71 franchised shops, same as last year.

## Liquidity and Financial Resources

At 30 June 2004, the aggregate loan amount due to High Fashion International Limited ("High Fashion") was HK\$85 million. Under the facilities granted by High Fashion, Theme could further draw down up to HK\$15 million from High Fashion for working capital purpose.



As of the balance sheet date, a total of about HK\$17 million banking facilities were granted to the Group, of which about HK\$1.8 million were utilized. Apart from the aforesaid and a property mortgage loan of HK\$0.9 million, there are no other material borrowings as of the balance sheet date. Except the aforesaid mortgage loan, there are no other charges on the Group's assets. The Group also has no borrowings at fixed interest rates.

The Group's receivables were mainly denominated in Hong Kong dollars, Renminbi and New Taiwan dollars. The entire bank borrowing and other borrowing were either denominated in Hong Kong dollars or United States dollars. The Group considers that its foreign exchange risk is not significant.

As at 30 June 2004, the current ratio was 1.56. With the support of High Fashion, the Group should have sufficient liquidity to meet its operational needs.

## Human Resources

As of 30 June 2004, the total number of employees of the Group including factory workers was about 1,000. Other than the competitive remuneration package offered to the employees, share options may also be granted to selected employees based on the Group's performance. The Group has granted no options during the period.

## General

The Group had no material contingent liabilities as of the balance sheet date. There was no material capital expenditure during the period.

# CONDENSED CONSOLIDATED Financial Statements

The Board of Directors (the "Board") 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 30 June 2004 together with the comparative figures for the six months ended 30 June 2003 as follows:

## Condensed Consolidated Profit and Loss Account

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30 June 2004</b> <b>(Unaudited)</b> <i>HK\$'000</i>	30 June 2003 (Unaudited) <i>HK\$'000</i>
Turnover	2	91,964	91,438
Cost of sales		<u>(34,712)</u>	<u>(41,726)</u>
Gross profit		57,252	49,712
Other operating income		1,569	288
Selling and distribution costs		<b>(38,441)</b>	(42,338)
Administrative expenses		<u>(21,178)</u>	<u>(19,408)</u>
Loss from operations	2, 3	<b>(798)</b>	(11,746)
Finance costs	4	<u>(2,289)</u>	<u>(1,874)</u>
Loss before taxation		<b>(3,087)</b>	(13,620)
Taxation	5	<u>3,441</u>	<u>-</u>
Net profit/(loss) from ordinary activities attributable to shareholders		<u><b>354</b></u>	<u>(13,620)</u>
Earnings/(Loss) per share - basic	6	<u><b>0.01 cent</b></u>	<u>(0.54 cent)</u>

# CONDENSED CONSOLIDATED Financial Statements

## Condensed Consolidated Balance Sheet

		30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Fixed assets		9,260	10,137
Interests in associates		(605)	(608)
Long term investment		675	675
		<u>9,330</u>	<u>10,204</u>
<b>Current assets</b>			
Inventories		31,186	28,428
Trade receivables	8	10,230	8,186
Deposits, prepayments and other receivables		12,039	11,482
Amounts due from fellow subsidiaries		6,400	3,733
Cash and bank balances		14,991	26,173
		<u>74,846</u>	<u>78,002</u>
<b>Current liabilities</b>			
Trade payables and accrued purchases	9	17,552	17,301
Tax payable		-	3,441
Other payables and accruals		16,664	16,535
Bank loans and overdrafts		2,751	5,388
Amount due to holding company		4,824	3,756
Amounts due to fellow subsidiaries		6,292	6,021
		<u>48,083</u>	<u>52,442</u>



# CONDENSED CONSOLIDATED Financial Statements

## Condensed Consolidated Balance Sheet (Continued)

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
<b>Net current assets</b>	<u>26,763</u>	<u>25,560</u>
<b>Total assets less current liabilities</b>	<b>36,093</b>	35,764
<b>Non-current liability</b>		
Amount due to holding company	85,000	85,000
<b>Minority interests</b>	<u>2,197</u>	<u>2,197</u>
	<u><b>(51,104)</b></u>	<u>(51,433)</u>
<b>Capital and reserves</b>		
Issued capital	25,083	25,083
Reserves	<u>(142,407)</u>	<u>(142,736)</u>
	<b>(117,324)</b>	(117,653)
Convertible notes	<u>66,220</u>	<u>66,220</u>
	<u><b>(51,104)</b></u>	<u>(51,433)</u>

# CONDENSED CONSOLIDATED Financial Statements

## Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange fluctuation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2004	25,083	798,599	34,503	(2,007)	(10,845)	(962,986)	(117,653)
Exchange realignment	-	-	-	-	(25)	-	(25)
Profit for the period	-	-	-	-	-	354	354
<b>At 30 June 2004</b>	<b>25,083</b>	<b>798,599</b>	<b>34,503</b>	<b>(2,007)</b>	<b>(10,870)</b>	<b>(962,632)</b>	<b>(117,324)</b>
At 1 January 2003	25,083	798,599	34,503	(2,007)	(10,843)	(943,097)	(97,762)
Exchange realignment	-	-	-	-	(9)	-	(9)
Loss for the period	-	-	-	-	-	(13,620)	(13,620)
<b>At 30 June 2003</b>	<b>25,083</b>	<b>798,599</b>	<b>34,503</b>	<b>(2,007)</b>	<b>(10,852)</b>	<b>(956,717)</b>	<b>(111,391)</b>

# CONDENSED CONSOLIDATED Financial Statements

## Condensed Consolidated Cash Flow Statement

	Six months ended	
	30 June 2004 (Unaudited) HK\$'000	30 June 2003 (Unaudited) HK\$'000
Net cash (outflow)/inflow from operating activities	(5,718)	497
Net cash outflow from investing activities	(1,562)	(317)
Net cash outflow from financing activities	(1,938)	(667)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(9,218)	(487)
Cash and cash equivalents at beginning of period	24,316	12,788
Effect of foreign exchange rate changes, net	(107)	(11)
	<hr/>	<hr/>
Cash and cash equivalent at end of period	<b>14,991</b>	<b>12,290</b>
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	14,991	12,979
Bank overdrafts, unsecured	–	(689)
	<hr/>	<hr/>
	<b>14,991</b>	<b>12,290</b>
	<hr/>	<hr/>

## Notes to Condensed Consolidated Financial Statements

### 1. Basis of preparation and principal accounting policies

The unaudited consolidated interim financial statements of the Group have been prepared in accordance 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 "Stock Exchange") and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting", and on the same basis and accounting policies as those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2003.

The financial statements have been prepared on the going concern basis because the immediate holding company, Navigation Limited, a subsidiary of High Fashion International Limited, has provided loan facilities in aggregate of HK\$100 million for the Company to meet its liabilities as and when they fall due. As at 30 June 2004, HK\$85 million of the loan facilities was drawn and is not repayable earlier than 30 April 2005.

### 2. Segment information

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

	Turnover		Loss from operations	
	Six months ended		Six months ended	
	30 June 2004	30 June 2003	30 June 2004	30 June 2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	10,226	13,327	(1,231)	(5,458)
Taiwan	47,776	44,758	1,520	(1,025)
People's Republic of China	29,901	28,166	(1,076)	(4,513)
Singapore	4,061	5,187	(11)	(750)
	<u>91,964</u>	<u>91,438</u>	<u>(798)</u>	<u>(11,746)</u>

### 3. Loss from operations

Loss from operations for the period is arrived at after charging:

	Six months ended	
	30 June 2004	30 June 2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	<u>2,496</u>	<u>3,301</u>

# CONDENSED CONSOLIDATED Financial Statements

## 4. Finance costs

	Six months ended	
	30 June 2004 (Unaudited) HK\$'000	30 June 2003 (Unaudited) HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	2,226	1,795
Bank charges	63	79
	<b>2,289</b>	<b>1,874</b>

## 5. Taxation

No Hong Kong and overseas profits tax have been provided for the six months ended 30 June 2004 (Six months ended 30 June 2003: Nil) as the Group had no assessable profit arising in Hong Kong and elsewhere during the period.

Current period's amount represents overprovision of taxation in prior years.

## 6. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit for the period of HK\$354,000 (net loss for the six months ended 30 June 2003: HK\$13,620,000) and the number of 2,508,329,402 (Six months ended 30 June 2003: 2,508,329,402) ordinary shares in issue during the period.

The diluted earnings/(loss) per share for the period ended 30 June 2004 and 30 June 2003 has not been calculated as the Company's convertible notes would have had an anti-dilutive effect.

## 7. Interim dividend

The directors do not recommend the payment of an interim dividend to shareholders for the six months ended 30 June 2004 (Six months ended 30 June 2003: Nil).

## 8. Trade receivables

An aged analysis of the trade receivables as at the reporting date is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
	Current to 90 days	10,106
91 to 180 days	124	1
181 to 360 days	-	4
	<b>10,230</b>	<b>8,186</b>

The Group allows an average credit period of 30 to 90 days to its trade debtors.

# CONDENSED CONSOLIDATED Financial Statements

## 9. Trade payables and accrued purchases

An aged analysis of the trade payables and accrued purchases as at the reporting date is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Current to 90 days	10,016	10,558
91 to 180 days	494	71
181 to 360 days	549	1,104
Over 360 days	6,493	5,568
	<b>17,552</b>	<b>17,301</b>

## 10. Related party transactions

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

		Six months ended	
	Notes	30 June 2004 (Unaudited) HK\$'000	30 June 2003 (Unaudited) HK\$'000
Interest expense payable to the holding company	(i)	2,113	1,597
Rental expense to a fellow subsidiary	(ii)	210	210
Subcontracting fee income received from fellow subsidiaries	(iii)	4,576	2,713
Management fee payable to a fellow subsidiary	(iv)	2,416	2,463

Notes:

- (i) Interest expenses was payable to the holding company on the loan advance of HK\$85 million (30 June 2003: HK\$67 million) bearing interest at Hong Kong Prime rate.
- (ii) Rental charges were payable to a subsidiary of the ultimate holding company with reference to the prevailing market rate of the office premise.
- (iii) 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.
- (iv) 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 and (e) company secretarial services.

## 11. Contingent liability

As at 30 June 2004, there was no material contingent liability (30 June 2003: Nil).

### Corporate Governance

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months period to 30 June 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2004 have not been reviewed by external auditors but the audit committee of the Company.

For the six months period to 30 June 2004, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 June 2004, and they all confirmed that they have fully complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

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

During the six months ended 30 June 2004, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

### Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2004.

## Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2004, the interests and short positions of the directors, chief executives and their associates of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

### (i) Long Positions in the Company's Shares and Underlying Shares

Name of director	Nature of interest	Number of ordinary shares held	Number of underlying shares held	Total
Lam Foo Wah	Corporate	1,881,247,050 (Note 1)	752,498,000 (Note 2)	2,633,745,050

*Notes:*

- Mr. Lam Foo Wah has the corporate interest in 1,881,247,050 ordinary shares of the Company pursuant to the SFO as a result of his shareholding in High Fashion International Limited ("HF"). 1,881,247,050 shares of the Company are registered in name of Navigation Limited, a wholly-owned subsidiary of HF (a company listed on the Stock Exchange).
- Mr. Lam Foo Wah has the corporate interest in 752,498,000 underlying shares of the Company pursuant to the SFO as a result of his shareholding in HF. Navigation Limited owned approximately HK\$66 million convertible notes that can be converted into 752,498,000 new shares of the Company.

### (ii) Long Positions in the Company's Debentures

Mr. Lam Foo Wah is deemed to have an interest in HK\$66,219,824 convertible notes which are beneficially owned by Navigation Limited, a wholly owned subsidiary of High Fashion International Limited.



### (iii) Long Positions in the Shares of Associated Corporations

(I) *High Fashion International Limited – Ultimate Holding Company of the Company*

Name of director	Notes	Number of ordinary shares held and nature of interests			Number of underlying shares held (Note 3)	Total	Percentage held of the associated corporation's issued capital
		Personal	Family	Other			
Lam Foo Wah	1,2	-	-	128,289,986	3,800,000	132,089,986	40.11%
Hui Yip Wing, David		-	2,652,007	-	-	2,652,007	0.81%
Wong Shing Loong, Raymond		2,600,000	-	-	1,000,000	3,600,000	1.09%

(II) *High Fashion Knitters Limited – Fellow Subsidiary of the Company*

Name of director	Note	Nature of interest	Number of ordinary shares held	Percentage of the fellow subsidiary's issued capital
Lam Foo Wah	4	Controlled corporation	5,339,431	35.60%

Notes:

- Mr. Lam Foo Wah is deemed to have an interest in 93,372,419 ordinary shares of HF which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
- Mr. Lam Foo Wah is deemed to have an interest in 34,917,567 ordinary shares of HF which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
- The underlying shares represent the options granted to the directors by HF under HF's share option scheme.
- These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

Save as disclosed above, as at 30 June 2004, none of the directors, chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the above mentioned Model Code of the Listing Rules. Furthermore, save as disclosed in the "Share Options" section below, at no time during the six months ended 30 June 2004 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Share Options

Pursuant to the Company's share option scheme, there were no outstanding options at the beginning and at the end of the six months period ended 30 June 2004. No options were granted, exercised, cancelled or lapsed under the existing share option scheme during the period.

Apart from the Company's share option scheme, during the six months ended 30 June 2004, no rights were granted to the directors, chief executives of the Company, or any of their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company.

### Substantial Shareholders

As at 30 June 2004, the interests of the following substantial shareholders, other than directors and chief executives of the Company, in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to Section 336 of SFO:

### Long Positions in the Company's Shares and Underlying Shares

Name	Capacity	Number of ordinary shares held	Number of underlying shares held under equity derivatives	Total	Percentage of the Company's issued share capital
High Fashion International Limited	Through controlled corporation	1,881,247,050	752,498,000	2,633,745,050	100.5%

The above interest has also been disclosed as an interest of Mr. Lam Foo Wah in the "Directors' interests and short positions in shares and underlying 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 and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### Members of the Board

As at the date of this interim report, the Board of the Company comprises of (1) executive directors: Mr. Lam Foo Wah, Mr. Hui Yip Wing, David and Mr. Wong Shing Loong, Raymond; and (2) independent non-executive directors: Professor Yeung Kwok Wing, Mr. Mak Kam Sing, Simon and Mr. Wong Shiu Hoi, Peter.