

THEME

Interim Report 2009



T h e m e

Theme International Holdings Limited

(Incorporated in Bermuda with limited liability) (Stock Code: 990)

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Management Discussion and Analysis

Results

Turnover decreased to HK\$125 million for the first half year of 2009, a fall of 28.6% when compared with the corresponding period of 2008. Net loss attributable to shareholders was HK\$41.7 million for the six-month period, including HK\$10.5 million provision for impairment loss on non-current assets and HK\$11.3 million provision for amounts due from a jointly controlled entity, compared with a net loss attributable to shareholders of HK\$10.1 million for the last corresponding period.

Review of Operations

The segmental operating profit and loss is as follows:

	Turnover		Contribution	
	Six months ended 30 June		Six months ended 30 June	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retail, Wholesales & Manufacturing of fashion Hong Kong & Macau	4,208	9,402	(1,004)	(3,014)
Taiwan	38,154	53,495	1,812	(327)
People's Republic of China ("PRC")	81,082	109,104	(17,933)	(7,773)
Singapore	1,727	3,257	217	239
	<u>125,171</u>	<u>175,258</u>	<u>(16,908)</u>	<u>(10,875)</u>
Gain on Disposal of a Jointly Controlled Entity			-	1,456
Operating Loss			<u>(16,908)</u>	<u>(9,419)</u>

The poor performance record for the period was mainly due to the operating results and provision for the agency distribution business through a jointly-controlled entity. An operating loss of HK\$16.9 million was recorded compared with an operating loss of HK\$9.4 million in last corresponding period.

Management Discussion and Analysis

The market in Hong Kong remained tough. The three retail shops are unchanged, and HK\$1 million operating loss was recorded for the period.

In Taiwan, our retail shop network remained at 46 shops for the period. Great efforts had been made to control corporate administrative expenses, and were gradually reflected in the first half year result.

In the PRC, turnover decreased by 26% and an operating loss of HK\$17.9 million was recorded. Under the difficult financial situation, a greater discount was offered and a greater loss was recorded for the period. The shop number in the PRC decreased from 167 in June 2008 to 139 in June 2009.

In Singapore, turnover decreased by 47% and a small operating profit was recorded.

With the influence of outbreak of swine flu and the financial tsunami, the turnover for the year 2009 would be seriously affected. In addition to the decline in tourism and customer spending, the competition in retail environment remained keen and the marketing situation was still difficult. In coping with the rapidly changing market, we are determined to introduce corrective measure to ensure a fast recovery. We will strive to achieve our stated goal despite major challenges lying ahead.

Liquidity and Financial Resources

At 30 June 2009, there was no borrowing from High Fashion International Limited. There are no charges on the Group's asset. The Group has no borrowings at fixed interest rates and had no long-term borrowings.

As of the balance sheet date, the Group had HK\$0.6 million bank borrowings, which reduced by HK\$0.5 million as from 31 December 2008. Interest expenses reduced from HK\$390,000 to HK\$17,000 since part of the loans were repaid in the first quarter of 2009.

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

As at 30 June 2009, the current ratio was 2.0. Based on the current cash position and available banking facilities, the Group should have sufficient liquidity to meet its operational needs.

Management Discussion and Analysis

Human Resources

As of 30 June 2009, the total number of employees of the Group including factory workers was about 2,100. 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 did not grant any options during the period.

Post Balance Sheet Event

On 8 August 2009, the Company entered into an agreement with Navigation Limited ("Navigation"), the immediate holding company of Theme, to dispose Theme International Holdings (BVI) Limited and its subsidiaries (other than Taiwan Vision Company Limited and Da Hua Li Company Limited) to Navigation.

On 8 August 2009, Navigation, the immediate holding company of Theme entered into an agreement with an independent third party to sell its 63.28% interests in Theme at a consideration of HK\$110.6 million. Please refer to the joint announcement jointly published by the Company, High Fashion International Limited and Golden Bright Energy Limited dated 18 August 2009.

General

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

By order of the Board of Directors

Lam Foo Wah

Chairman

Hong Kong, 21 September 2009

Condensed Consolidated Financial Statements

The Board of Directors (the "Board") of Theme International Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2009 together with the comparative figures.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Notes	Six months ended 30 June	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Revenue		125,171	175,258
Cost of sales		<u>(58,625)</u>	<u>(92,770)</u>
Gross profit		66,546	82,488
Other income		1,746	6,381
Gain on disposal of a jointly controlled entity		–	1,456
Selling and distribution expenses		<u>(58,601)</u>	<u>(67,853)</u>
Allowance for amount due from a jointly controlled entity	6	<u>(11,313)</u>	–
Impairment loss on property, plant and equipment		<u>(10,460)</u>	–
Administrative expenses		<u>(26,574)</u>	<u>(31,870)</u>
Finance costs	4	<u>(525)</u>	<u>(583)</u>
Loss before taxation		<u>(39,181)</u>	<u>(9,981)</u>
Tax charge	5	<u>(2,491)</u>	<u>(131)</u>
Loss for the period attributable to the shareholders of the Company	6	<u><u>(41,672)</u></u>	<u><u>(10,112)</u></u>
Other comprehensive income (expense)			
Exchange differences arising on translation to presentation currency		111	6,980
(Loss) gain on fair value changes on cash flow hedges		<u>(935)</u>	<u>5,594</u>
Reclassification adjustment to profit or loss for cash flow hedges	11	<u>(246)</u>	–
Other comprehensive (expense) income for the period, net of tax		<u>(1,070)</u>	<u>12,574</u>
Total comprehensive (expense) income for the period		<u><u>(42,742)</u></u>	<u><u>2,462</u></u>
Loss per share	7		
Basic		<u><u>(4.65 cents)</u></u>	<u><u>(1.13 cents)</u></u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position

At 30 June 2009

	Notes	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	34,496	50,457
Prepaid lease payments		35,422	35,708
Available-for-sale investments		675	675
Derivative financial instruments	11	-	419
Deferred taxation		-	1,795
		<u>70,593</u>	<u>89,054</u>
Current assets			
Inventories		31,843	49,495
Trade receivables	10	22,068	32,908
Deposits, prepayments and other receivables		17,906	22,268
Derivative financial instruments	11	-	1,878
Amounts due from fellow subsidiaries		12,188	21,829
Amounts due from jointly controlled entities		-	17,713
Bank balances and cash		41,570	25,057
		<u>125,575</u>	<u>171,148</u>
Current liabilities			
Trade payables	12	20,083	23,854
Other payables and accrued charges		38,817	37,657
Amount due to a fellow subsidiary		24	387
Amount due to an associate		594	594
Amount due to a jointly controlled entity		-	17,713
Taxation		1,305	1,401
Bank borrowings		640	1,149
		<u>61,463</u>	<u>82,755</u>
Net current assets		<u>64,112</u>	<u>88,393</u>
		<u>134,705</u>	<u>177,447</u>
Capital and reserves			
Share capital	13	8,965	8,965
Reserves		125,740	168,482
		<u>134,705</u>	<u>177,447</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Shareholder's contribution HK\$'000	Exchange reserve HK\$'000	Hedging reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2008 (audited)	89,645	1,049,454	34,503	45,000	(5,803)	-	(1,009,591)	203,208	800	204,008
Loss for the period	-	-	-	-	-	-	(10,112)	(10,112)	-	(10,112)
Exchange differences arising on translation to presentation currency	-	-	-	-	6,980	-	-	6,980	-	6,980
Gain from fair value changes on cash flow hedges	-	-	-	-	-	5,594	-	5,594	-	5,594
Total comprehensive income and expenses for the period	-	-	-	-	6,980	5,594	(10,112)	2,462	-	2,462
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(800)	(800)
Share consolidation and reduction	(80,680)	(910,203)	990,883	-	-	-	-	-	-	-
Transfer	-	-	(990,883)	-	-	-	990,883	-	-	-
At 30 June 2008 (unaudited)	<u>8,965</u>	<u>139,251</u>	<u>34,503</u>	<u>45,000</u>	<u>1,177</u>	<u>5,594</u>	<u>(28,820)</u>	<u>205,670</u>	-	<u>205,670</u>
At 1 January 2009 (audited)	8,965	139,251	34,503	45,000	(1,185)	2,297	(51,384)	177,447	-	177,447
Loss for the period	-	-	-	-	-	-	(41,672)	(41,672)	-	(41,672)
Exchange differences arising on translation to presentation currency	-	-	-	-	111	-	-	111	-	111
Loss from fair value changes on cash flow hedges	-	-	-	-	-	(935)	-	(935)	-	(935)
Reclassification adjustment to profit or loss for cash flow hedges	-	-	-	-	-	(246)	-	(246)	-	(246)
Total comprehensive income and expenses for the period	-	-	-	-	111	(1,181)	(41,672)	(42,742)	-	(42,742)
At 30 June 2009 (unaudited)	<u>8,965</u>	<u>139,251</u>	<u>34,503</u>	<u>45,000</u>	<u>(1,074)</u>	<u>1,116</u>	<u>(93,056)</u>	<u>134,705</u>	-	<u>134,705</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	35,795	9,949
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,014)	(7,813)
Proceeds on disposal of a jointly controlled entity	–	2,000
Proceeds from disposal of property, plant and equipment	12	–
(Advance to) repayment from jointly controlled entities	(14,993)	4,476
NET CASH USED IN INVESTING ACTIVITIES	(17,995)	(1,337)
FINANCING ACTIVITIES		
Repayment of bank borrowings	(509)	(5,708)
Other financing cash flows	(888)	(583)
NET CASH USED IN FINANCING ACTIVITIES	(1,397)	(6,291)
Net increase in cash and cash equivalents	16,403	2,321
Cash and cash equivalents at beginning of period	25,057	37,906
Effect of foreign exchange rate changes	110	870
Cash and cash equivalents at end of period	41,570	41,097

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. Basis of Preparation

The condensed consolidated financial statements 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 and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, which are measured at their fair values.

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation

Condensed Consolidated Financial Statements

HKFRS 8 – Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

HKAS 1 (Revised) – Presentation of Financial Statements

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

The adoption of these new or revised standards, amendments and interpretations had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ³
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions ³
HKFRS 3 (Revised)	Business combinations ¹
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners ¹
HK(IFRIC) – INT 18	Transfer of assets from customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010.

⁴ Effective for transfers on or after 1 July 2009.

Condensed Consolidated Financial Statements

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors of the Company, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's revenue is currently derived from four regions - Hong Kong and Macau, People's Republic of China ("PRC"), Taiwan and Singapore. Internal reports are prepared by regions and regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess the performance of respective regions.

Condensed Consolidated Financial Statements

Six months ended 30 June 2009 (Unaudited)

	Hong Kong and Macau HK\$'000	PRC HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Consolidated HK\$'000
Revenue					
External sales	<u>4,208</u>	<u>81,082</u>	<u>38,154</u>	<u>1,727</u>	<u>125,171</u>
Segment (loss) profit	<u>(1,004)</u>	<u>(17,933)</u>	<u>1,812</u>	<u>217</u>	<u>(16,908)</u>
Interest income					25
Finance costs					(525)
Impairment loss on property, plant and equipment					(10,460)
Allowances for amount due from a jointly controlled entity					<u>(11,313)</u>
Loss before taxation					<u>(39,181)</u>

Six months ended 30 June 2008 (Unaudited)

	Hong Kong and Macau HK\$'000	PRC HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Consolidated HK\$'000
Revenue					
External sales	<u>9,402</u>	<u>109,104</u>	<u>53,495</u>	<u>3,257</u>	<u>175,258</u>
Segment (loss) profit	<u>(3,014)</u>	<u>(7,773)</u>	<u>(327)</u>	<u>239</u>	<u>(10,875)</u>
Interest income					21
Finance costs					(583)
Gain on disposal of a jointly controlled entity					<u>1,456</u>
Loss before taxation					<u>(9,981)</u>

Condensed Consolidated Financial Statements

Segment (loss) profit represents the (loss attributable to) profit earned by each segment without allocation of interest income, finance costs, gain on disposal of a jointly controlled entity, impairment loss on property, plant and equipment and allowance for amount due from a jointly controlled entity. Depreciation of certain property, plant and equipment and other corporate administration costs are allocated to the reportable segments with reference to sales generated by those segments. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. Finance Costs

	Six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Bank charges	508	193
Interest on:		
Bank loans and overdrafts	17	390
	<u>525</u>	<u>583</u>

5. Tax Charge

	Six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Tax (charge) credit comprises:		
Current tax		
PRC and other jurisdictions	(209)	(214)
Underprovision in prior years		
Other jurisdictions	(487)	–
Deferred tax	<u>(1,795)</u>	<u>83</u>
	<u>(2,491)</u>	<u>(131)</u>

Condensed Consolidated Financial Statements

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.

PRC Enterprise Income Tax is calculated at the rates prevailing in the relevant districts of the PRC.

Taxation for other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

6. Loss for the Period Attributable to the Shareholders of the Company

	Six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Loss for the period has been arrived at after charging (crediting):		
Write back for obsolete inventories (note a)	(1,363)	(6,161)
Allowance for bad and doubtful debts	94	1,281
Allowance for amount due from a jointly controlled entity (note b)	11,313	–
Depreciation of property, plant and equipment	8,475	4,646
Amortisation of intangible assets	–	500
Amortisation of prepaid lease payments	284	280
Loss on disposal of property, plant and equipment	29	429

Notes:

- (a) Excess obsolete inventory provisions are written back when the relevant inventories are sold. The amount is included in cost of sales for both periods.
- (b) As the jointly controlled entity has been loss making in recent years, the directors of the Company were in an opinion that the amount advanced to the jointly controlled entity may not be recoverable. As such an allowance of HK\$11,313,000 has been provided in the condensed consolidated statement of comprehensive income.

Condensed Consolidated Financial Statements

7. Loss Per Share

The calculation of basic loss per share for the six months ended 30 June 2009 together with the comparative figures for 2008 is based on the following data:

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic loss per share attributable to owners of the Company	<u>(41,672)</u>	<u>(10,112)</u>

	Number	Number
Number of ordinary shares for the purpose of basic loss per share	<u>896,454,959</u>	<u>896,454,959</u>

No diluted loss per share for the six months ended 30 June 2008 and 2009 has been presented as the Company had no potential shares outstanding during the periods under review.

8. Interim Dividend

No dividends were paid, declared or proposed during the period. The directors do not recommend the payment of an interim dividend.

9. Movements in Property, Plant and Equipment

During the period, additions to the Group's property, plant and equipment amounted to HK\$3,014,000 (1 January 2008 to 30 June 2008: HK\$7,813,000).

During the six months ended 30 June 2009, the directors of the Company decided to lease the Group's office premises to outsiders. Accordingly, certain furniture and fixtures of the premises were written down to their estimated recoverable amounts. As a result, impairment loss of HK\$10,460,000 has been recognised in the condensed consolidated statement of comprehensive income.

Condensed Consolidated Financial Statements

10. Trade Receivables

The Group allows credit periods of 90 days to its trade customers.

The aging analysis of trade receivables net of allowance for bad and doubtful debts is stated as follows:

	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Within 90 days	19,907	26,764
91 to 180 days	1,131	2,717
181 to 360 days	169	2,550
Over 360 days	861	877
	<u>22,068</u>	<u>32,908</u>

11. Derivative Financial Instruments

The aggregate notional amount of the outstanding forward contracts at 31 December 2008 was HK\$50 million of selling Hong Kong Dollars ("HK\$") for Renminbi ("RMB") at exchange rates ranging from 0.9184 to 0.9384 with maturity periods up to 24 months from the dates of entering into the respective contracts.

These are contracts designated as highly effective hedging instruments by a subsidiary (of which the functional currency is RMB) to hedge highly probable forecasted intragroup sales which are denominated in HK\$ to a subsidiary (of which the functional currency is HK\$) in order to manage the foreign currency exposure.

The terms of the foreign exchange forward contracts were negotiated to match the terms of the forecasted intragroup sales and were considered as effective hedging instruments.

As at 31 December 2008, the cumulative fair value gain of HK\$2,297,000 has been deferred in equity and was expected to be released to the profit or loss at various dates in 2009 to 2010, the period in which the forecasted sales are realised.

Condensed Consolidated Financial Statements

During the period ended 30 June 2009, certain forward contracts matured. HK\$246,000 has been transferred from the hedging reserve to the condensed consolidated statement of comprehensive income upon the occurrence of the hedged sales. The remaining forward contracts, which were designated as effective hedging instruments, were early terminated during the period ended 30 June 2009 and accordingly the hedging relationship were discontinued. Loss from fair value changes on the forward contracts of HK\$935,000 has been deferred in the hedging reserve up until the date of the termination of such contracts. The remaining cumulative net gain on the hedging instruments remains in the hedging reserve and will be reclassified to profit or loss upon the occurrence of the respective hedged sales.

12. Trade Payables

The following is an aged analysis of the trade payables at the reporting date:

	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Within 90 days	9,670	16,450
91 to 180 days	2,517	967
181 to 360 days	1,874	1,158
Over 360 days	<u>6,022</u>	<u>5,279</u>
	<u>20,083</u>	<u>23,854</u>

13. Share Capital

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Issued and fully paid		
At 1 January 2008	8,964,550	89,645
Completion of share consolidation and capital reduction (note)	<u>(8,068,095)</u>	<u>(80,680)</u>
At 30 June 2008, 31 December 2008 and 30 June 2009	<u>896,455</u>	<u>8,965</u>

Condensed Consolidated Financial Statements

Note:

Pursuant to the special resolution passed on 3 January 2008, the reorganisation of the share capital of the Company was effected which involved share consolidation ("Share Consolidation") and capital reduction ("Capital Reduction").

Pursuant to the Share Consolidation, every ten issued shares of HK\$0.01 each resulting from the Capital Reduction were consolidated into one consolidated share of HK\$0.10. Immediately following the Share Consolidation, the nominal value of the issued share capital of the Company was reduced by HK\$0.09 per share by cancelling an equivalent amount of the paid up capital per share so that the nominal value of each share in issue was reduced from HK\$0.10 to HK\$0.01.

14. Related Party Transactions

During the period, the Group had transactions with related parties as follows:

	Notes	Six months ended 30 June	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Subcontracting fee income from fellow subsidiaries	(i)	13,492	7,613
Key management compensation	(ii)		
– short term employee benefits		1,675	1,784
– post-employment benefits		88	94
Proceeds from disposal of a jointly controlled entity		–	2,000

Notes:

- (i) Subcontracting fee income was earned in the normal course of business and at a consideration determined between parties with reference to the prevailing market price.
- (ii) The remuneration of directors and key executive is determined by the remuneration committee having regard to the performance of individuals and market trends.

15. Events after the End of the Interim Period

Pursuant to the agreement dated 8 August 2009, the Company conditionally agreed to dispose of Theme International Holdings (BVI) Limited, a wholly owned subsidiary of the Company, and its subsidiaries (other than Taiwan Vision Company Limited and Da Hua Li Company Limited) to Navigation Limited, the immediate holding company of the Company (the "Transaction"). Up to the reporting date, the Transaction has not been completed.

Other Information

Interim dividend

The Board does not declare an interim dividend for the six months ended 30 June 2009 (Six months ended 30 June 2008: Nil) to the shareholders.

Code on Corporate Governance Practices

The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the “Code”) of the Listing Rules throughout the period for the six months ended 30 June 2009, except for the following deviation.

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Lam Foo Wah is the Chairman and Chief Executive Officer (“CEO”) of the Company. The Board considers that the function of the Chairman and CEO in the Company’s strategic planning and development process are overlapping and it may not be for the benefit of the Company to have separate individuals occupying these two offices in the condition of the Group and its stage of development.

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.

The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 June 2009, 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 2009, the Company had not redeemed any of the Company’s listed securities, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s listed securities.

Review of Account

The Audit Committee of the Company has reviewed the Group’s unaudited condensed consolidated financial information and interim report for the six months ended 30 June 2009.

Other Information

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

As at 30 June 2009, the interests and short positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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), the Model Code contained in the Listing Rules and which have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, were as follows:

(i) Long Positions in the Company's Shares

Name of director	Capacity	Nature of interest	Number of ordinary shares held	Percentage of the Company's share capital
Lam Foo Wah	Interest of controlled corporation	Corporate	567,238,654 (Note 1)	63.28% (Note 2)

Notes:

- The 567,238,654 shares of the Company are registered in the name of Navigation Limited which is an indirect wholly-owned subsidiary of High Fashion International Limited ("High Fashion"), representing approximately 63.28% of the issued share capital of the Company. Pursuant to the SFO, Mr Lam Foo Wah is deemed to have the corporate interest in 567,238,654 shares of the Company as a result of his shareholding of 45.31% in High Fashion.
- The issued share capital of the Company is 896,454,959 shares as at 30 June 2009.

Other Information

(ii) Long Positions in the Shares of Associated Corporations

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

Name of Directors	Notes	Capacity	Nature of interests	Number of ordinary shares held	Percentage of the ultimate holding company's issued capital (Note 3)
Lam Foo Wah	1, 2	Other Interest	Other	143,719,986	45.31%
So Siu Hang, Patricia		Beneficial owner	Personal	2,824,309	0.89%

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

Name of Director	Notes	Capacity	Nature of interests	Number of ordinary shares held	Percentage of the fellow subsidiary's issued capital
Lam Foo Wah	4	Interest of controlled corporations	Corporate	5,339,431	35.60%

Notes:

- Mr. Lam Foo Wah is deemed to have interests in 108,802,419 ordinary shares of High Fashion 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 interests in 34,917,567 ordinary shares of High Fashion 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 issued share capital of the associated corporation is 317,215,550 shares as at 30 June 2009.
- These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

Other Information

Save as disclosed above, as at 30 June 2009, the directors, chief executive of the Company nor their associates had or was deemed to have any interests or short position 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 Model Code of the Listing Rules.

Furthermore, save as disclosed in the “Share Option Scheme” section below, at no time during the six months ended 30 June 2009 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 Option Scheme

Pursuant to the Company’s share option scheme, there were no outstanding options at the beginning and at the end of the six months ended 30 June 2009. 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 2009, 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 Shareholder

As at 30 June 2009, the following substantial shareholders, other than directors or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which fall to be 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:

Name of Shareholder	Capacity	Number of ordinary shares held	Percentage of the Company’s issued share capital
High Fashion International Limited (Note 1)	Interest of controlled corporations	567,238,654	63.28% (Note 2)

Other Information

Notes:

1. These interests have been disclosed as the interests of Mr. Lam Foo Wah in the “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above.
2. The issued share capital of the Company is 896,454,959 shares as at 30 June 2009.

Save as disclosed above, no person, other than the directors or chief executive of the Company, whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, as at 30 June 2009, had registered an interest or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company since the date of 2008 annual report of the Company are set out below:

Mr. WONG Shiu Hoi, Peter, an Independent Non-Executive Director

- Cessation as the chairman of The Hong Kong Institute of Directors.
- Appointment as a director of Hong Kong Securities Institute.

Corporate Information

Theme International Holdings Limited is incorporated in Bermuda with limited liability.

Board of Directors

Executive Directors

Mr. Lam Foo Wah (*Chairman & CEO*)

Ms. So Siu Hang, Patricia

Independent Non-executive Directors

Mr. Mak Kam Sing

Mr. Wong Shiu Hoi, Peter

Mr. Leung Hok Lim

Audit Committee

Mr. Wong Shiu Hoi, Peter (*Chairman*)

Mr. Mak Kam Sing

Mr. Leung Hok Lim

Remuneration Committee

Mr. Mak Kam Sing (*Chairman*)

Mr. Wong Shiu Hoi, Peter

Mr. Leung Hok Lim

Head Office and Principal Place of Business

11th Floor, High Fashion Centre, 1-11 Kwai Hei Street

Kwai Chung, New Territories, Hong Kong

Sub-registrar and Transfer Agent in Hong Kong

Computershare Hong Kong Investor Services Limited

Rooms 1712-6, 17th Floor, Hopewell Centre

183 Queen's Road East, Wanchai, Hong Kong

Company Website

www.theme.com.hk