

## UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Wonson International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”), for the six months ended 30 June 2002 with the comparative figures for the corresponding period in 2001 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2002 - Unaudited

		Six months ended 30 June	
	NOTES	2002	2001
		HK\$'000	HK\$'000
Turnover	2	1,342	6,264
Direct costs		<u>(1,000)</u>	<u>(2,110)</u>
Gross profit		342	4,154
Other revenue		684	1,490
Distribution costs		(435)	(825)
Administrative expenses		(13,039)	(13,129)
Net realised and unrealised (loss) gain on trading securities		<u>(28,804)</u>	<u>18,590</u>
(Loss) profit from operations	3	(41,252)	10,280
Finance costs	4	(2,263)	(3,958)
Share of results of associates		2,535	8,417
Share of results of joint ventures		(84)	(422)
Amortisation of goodwill		(20,676)	(17,259)
Impairment loss recognised in respect of goodwill arising from the acquisition of an associate	9	<u>(24,806)</u>	<u>—</u>
Loss before taxation		(86,546)	(2,942)
Taxation	5	<u>(120)</u>	<u>(10)</u>
Net loss for the period		<u>(86,666)</u>	<u>(2,952)</u>
Loss per share - basic	6	<u>(1.27)cents</u>	<u>(0.06) cent</u>

**CONDENSED CONSOLIDATED BALANCE SHEET  
AT 30 JUNE 2002**

	<i>NOTES</i>	<b>30 June 2002 HK\$'000 (Unaudited)</b>	31 December 2001 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	<b>2,313</b>	2,685
Interests in associates	9	<b>260,222</b>	319,022
Interests in joint ventures		<b>6,959</b>	7,043
		<b>269,494</b>	328,750
Current assets			
Inventories		<b>3,098</b>	3,309
Trade and other receivables	10	<b>4,517</b>	4,290
Investments in securities		<b>46,327</b>	50,812
Bank balances and cash		<b>14,391</b>	52,556
		<b>68,333</b>	110,967
Current liabilities			
Trade and other payables	11	<b>8,652</b>	8,393
Net current assets		<b>59,681</b>	102,574
Total assets less current liabilities		<b>329,175</b>	431,324
Non-current liability			
Convertible note payable		<b>57,000</b>	56,750
		<b>272,175</b>	374,574
Capital and reserves			
Share capital		<b>68,374</b>	68,374
Reserves		<b>203,801</b>	306,200
Shareholders' funds		<b>272,175</b>	374,574

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2002 - Unaudited**

	Share capital	Share premium	Contributed surplus	Translation reserve	Capital reserve	Investment revaluation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2001	469,869	81,956	—	—	802	2,799	(229,918)	325,508
Share of reserve movements of associates	—	—	—	—	—	2,713	—	2,713
Share of reserve movements of joint ventures	—	—	—	5	—	—	—	5
Total gains not recognised in the income statement	—	—	—	5	—	2,713	—	2,718
Transfer to contributed surplus resulting from cancelling the paid up capital to the extent of HK\$0.09 on each issued share	(422,882)	—	422,882	—	—	—	—	—
Issue of shares by placements net of expenses	20,673	52,127	—	—	—	—	—	72,800
Issue of shares by conversion of convertible note payable	714	1,286	—	—	—	—	—	2,000
Net loss for the year	—	—	—	—	—	—	(28,452)	(28,452)
Balance at 1 January 2002	68,374	135,369	422,882	5	802	5,512	(258,370)	374,574
Share of reserve movements of associates and total losses not recognised in the income statement	—	—	—	—	—	(15,733)	—	(15,733)
Net loss for the period	—	—	—	—	—	—	(86,666)	(86,666)
Balance at 30 June 2002	<u>68,374</u>	<u>135,369</u>	<u>422,882</u>	<u>5</u>	<u>802</u>	<u>(10,221)</u>	<u>(345,036)</u>	<u>272,175</u>
Balance at 1 January 2001	469,869	81,956	—	—	802	2,799	(229,918)	325,508
Share of reserve movements of associates	—	—	—	—	—	842	—	842
Share of reserve movements of joint ventures	—	—	—	8	—	—	—	8
Total gains not recognised in the income statement	—	—	—	8	—	842	—	850
Transfer to contributed surplus resulting from cancelling the paid up capital to the extent of HK\$0.09 on each issued share	(422,882)	—	422,882	—	—	—	—	—
Issue of shares by placements net of expenses	9,397	10,759	—	—	—	—	—	20,156
Net loss for the period	—	—	—	—	—	—	(2,952)	(2,952)
Balance at 30 June 2001	<u>56,384</u>	<u>92,715</u>	<u>422,882</u>	<u>8</u>	<u>802</u>	<u>3,641</u>	<u>(232,870)</u>	<u>343,562</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2002 - Unaudited**

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Net cash outflow from operating activities	<b>(13,846)</b>	(13,172)
Net cash (outflow) inflow from investing activities	<b>(24,319)</b>	64,664
Net cash outflow from financing activities	<b>—</b>	(34,844)
	<hr/>	<hr/>
(Decrease) increase in cash and cash equivalents	<b>(38,165)</b>	16,648
Cash and cash equivalents		
at the beginning of the period	<b>52,556</b>	8,527
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Cash and cash equivalents at the end of the period	<b>14,391</b>	25,175
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## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2002**

### **1. ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention modified for revaluation of investments in securities.

The interim financial report has been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest, dividends and taxation, which were previously presented under a separate heading, are classified as operating cash flows. The other new and revised SSAPs have introduced revised disclosure requirements which have been adopted in the condensed financial statements. The adoption of the above SSAPs has had no effect on the results for the current or prior accounting periods.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 December 2001.

## 2. SEGMENT INFORMATION

### Business segments

For management purposes, the Group is currently organised into four operating divisions - metals trading, sales of communication products, investments in securities and provision of marketing consultancy services. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Six months ended 30 June 2002					Total HK\$'000
	Metals trading HK\$'000	Sales of communication products HK\$'000	Investments in securities HK\$'000	Marketing consultancy services HK\$'000	Others HK\$'000	
Turnover	532	810	—	—	—	1,342
Segment result	225	(4,916)	(28,804)	—	—	(33,495)
Interest income						519
Unallocated corporate expenses						(8,276)
Loss from operations						(41,252)
Share of results of associates	—	—	2,929	—	(394)	2,535
Share of results of joint ventures	—	(84)	—	—	—	(84)
Amortisation of goodwill	—	—	(14,342)	—	(6,334)	(20,676)
Impairment loss recognised in respect of goodwill arising from the acquisition of an associate	—	—	—	—	(24,806)	(24,806)
Finance costs						(2,263)
Loss before taxation						(86,546)
Taxation						(120)
Net loss for the period						(86,666)

## 2. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

	Six months ended 30 June 2001					Total HK\$'000
	Metals trading	Sales of communication products	Investments in securities	Marketing consultancy services	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover	—	1,264	—	5,000	—	6,264
Segment result	—	(4,035)	18,590	3,800	—	18,355
Interest income						214
Unallocated corporate expenses						(8,289)
Profit from operations						10,280
Share of results of associates	—	—	8,892	—	(475)	8,417
Share of results of joint ventures	—	(422)	—	—	—	(422)
Amortisation of goodwill	—	—	(16,732)	—	(527)	(17,259)
Finance costs						(3,958)
Loss before taxation						(2,942)
Taxation						(10)
Net loss for the period						(2,952)

### Geographical segments

	Turnover		(Loss) profit from operations	
	Six months ended 30 June 2002	2001	Six months ended 30 June 2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,290	5,325	(39,782)	13,361
People's Republic of China, excluding Hong Kong	52	939	(1,470)	(3,081)
	1,342	6,264	(41,252)	10,280

### 3. (LOSS) PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Depreciation	372	128
Dividend income from investments in securities	165	1,266
Interest income from		
- bank	69	214
- others	450	—
	<u>          </u>	<u>          </u>

### 4. FINANCE COSTS

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Interest on borrowings wholly repayable within five years		
Convertible note payable	(2,013)	—
Short term loans	—	(3,958)
	<u>          </u>	<u>          </u>
	(2,013)	(3,958)
Amortisation of issue cost of convertible note payable	(250)	—
	<u>          </u>	<u>          </u>
	(2,263)	(3,958)
	<u>          </u>	<u>          </u>

### 5. TAXATION

The charge for the current period represents the share of tax of associates.

No provision for taxation has been made for the Group in the financial statements since the Group has no assessable profit for the period.

## 6. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the period of approximately HK\$86,666,000 (2001: HK\$2,952,000) and on the 6,837,422,389 (2001: weight average of 4,818,103,210) shares in issue.

Diluted loss per share figures are not presented for either the current or prior interim periods as the effect of the potential ordinary shares outstanding in respect of the convertible note payable was anti-dilutive and the exercise price of the Company's warrants outstanding was higher than the average fair value of the Company's shares during both periods.

## 7. INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2002 (2001: Nil).

## 8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group did not acquire any property, plant and equipment (2001: HK\$984,000).

## 9. INTERESTS IN ASSOCIATES

	<b>30 June 2002</b>	31 December 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	<b>219,587</b>	232,905
Unamortised goodwill in respect of acquisition of associates, net of impairment losses recognised of HK\$24,806,000 (2001: nil)	<b>40,635</b>	86,117
Loans due from associates, net of impairment losses recognised of HK\$54,050,000 (2001: HK\$54,050,000)	—	—
	<u><b>260,222</b></u>	<u>319,022</u>

During the period, the Group identified an indicator of impairment in the carrying amount of its goodwill in respect of an associate. As a result, the goodwill was written down to its estimate recoverable amount and an impairment loss of HK\$24,806,000 was recognised.

## 10. TRADE AND OTHER RECEIVABLES

The Group adopts the credit policy of allowing invoices to be payable within 180 days for the sales of communication products and 30 days for the metal trading from the date of issuance. The Group also allows longer credit period to its major customers.

An aged analysis of trade receivables is as follows:

	<b>30 June 2002</b> <i>HK\$'000</i>	31 December 2001 <i>HK\$'000</i>
Not yet due	—	1,412
Overdue 0 - 60 days	47	1
Overdue over 90 days	<b>2,414</b>	672
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	<b>2,461</b>	2,085
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## 11. TRADE AND OTHER PAYABLES

	<b>30 June 2002</b> <i>HK\$'000</i>	31 December 2001 <i>HK\$'000</i>
Overdue 0 - 30 days	—	33
Overdue over 90 days	<b>1,280</b>	1,266
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	<b>1,280</b>	1,299
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## 12. RELATED PARTY TRANSACTIONS

During the period, the Group paid rentals of approximately HK\$132,000 (2001: HK\$228,000) for hiring motor vehicles from Very Nice Development Limited (2001: Very Nice Development Limited and Bonnie International Development Limited). Mr. Chiu Tao and Mr. Yeung Kwok Yu are directors of the Company and have beneficial interests in Very Nice Development Limited. Mr. Chiu Tao & Mr. Yeung Kwok Yu also had beneficiary interest in Bonnie International Development Limited.

The above transactions were carried out after negotiations between the Group and the related parties with reference to the estimated market value.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover for the first half of the year 2002 decreased by approximately 78.6% to HK\$1.342 million, as compared to the corresponding period last year. The Group had net realised and unrealised loss of approximately HK\$28.804 million on investment securities as opposed to a gain of approximately HK\$18.590 million last year. Amortisation of goodwill amounted to approximately HK\$20.676 million, and there was an approximately HK\$24.806 million impairment loss recognised in respect of goodwill arising from the acquisition of an associate. Overall, net loss for the period increased to approximately HK\$86.666 million.

During the period, trading activities have been further down as the business environment remains weak, and the share of results from Beauforte Investors Corporation Limited ("Beauforte") decreased as Beauforte's net profit was also down. Investment in trading securities was also suffered due to the poor market sentiment and economic environment. Nevertheless, the Group will continue to maintain an open attitude towards any new investment opportunities in the future.

As at 30 June 2002, the Group had cash and bank balances of approximately HK\$14.391 million and investment in trading securities of approximately HK\$46.327 million at market value. The Group had convertible note payable ("Convertible Note") of carrying value of HK\$57 million. The Convertible Note was issued on 3 July 2001 and is unsecured. It bears interest at 7% per annum and will mature on the third anniversary of the date of issue. The gearing ratio was approximately 21%, based on the carrying value of the Convertible Note of HK\$57 million and the shareholders' fund of approximately HK\$272.175 million.

As at 30 June 2002, the Group employed about 35 staff. Staff remuneration packages are normally reviewed annually. The Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefit. As at the date hereof, no share options have been granted under the share option scheme.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 30 June 2002, the interests of the directors and chief executive in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance")), as recorded in the register required to be kept by the Company under section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of director	Type of interest	Number of shares	Number of warrants
Mr. Chiu Tao	Corporate ( <i>Note</i> )	237,580,000	47,812,000
Mr. Kwan Kam Hung, Jimmy	Personal	9,450,000	Nil
Mr. Chiu Kong	Personal	4,000,000	Nil

*Note:* These shares are held by Super Star Assets Limited and Jumbo Jade Limited which are wholly owned by Mr. Chiu Tao.

Save as disclosed above, none of the directors and chief executive or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (as defined in the SDI Ordinance).

None of the directors or chief executive (including their spouse and children under 18 years of age) had been granted, or exercised, any rights to subscribe for the equity or debt securities of the Company during the period.

At no time during the period was the Company, its subsidiaries or its holding company a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of share in, debenture of, the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2002, the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance showed that the Company had not been notified of any interests representing 10% or more of the Company's issued share capital.

## **CODE OF THE BEST PRACTICE**

The independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting, as specified by the Company's bye-laws. In the opinion of the directors, this meets the same objective as the Code of Best Practice set out in the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Save as aforesaid, none of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

## **REVIEW BY AUDIT COMMITTEE**

The 2002 interim report has been reviewed by the audit committee which comprises two independent non-executive directors of the Company.

By order of the Board  
**Tsui Ching Hung**  
*Director*

Hong Kong, 25 September 2002