

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 2003 together with the comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2003 - Unaudited

		Six months ended 30 June	
	NOTES	2003	2002
		HK\$'000	HK\$'000
Turnover	3	581	1,342
Cost of sales		(428)	(1,000)
Gross profit		153	342
Other operating income		558	684
Distribution costs		(135)	(435)
Administrative expenses		(11,169)	(13,039)
Net realised and unrealised gain (loss) on trading securities		832	(28,804)
Loss from operations	4	(9,761)	(41,252)
Finance costs	5	(2,397)	(2,263)
Share of results of associates		4,366	2,535
Share of results of joint ventures		(124)	(84)
Amortisation of goodwill in respect of associates		(14,342)	(20,676)
Impairment loss recognised in respect of goodwill arising from the acquisition of an associate	10	—	(24,806)
Loss before taxation		(22,258)	(86,546)
Taxation	6	(570)	(120)
Net Loss for the period		(22,828)	(86,666)
Loss per share - basic	7	(0.33) cent	(1.27) cents

**CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2003**

	<i>NOTES</i>	30 June 2003 HK\$'000 (Unaudited)	31 December 2002 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	2,194	2,122
Interests in associates	10	246,085	248,839
Interests in joint ventures		6,681	6,805
		<hr/> 254,960 <hr/>	<hr/> 257,766 <hr/>
Current assets			
Inventories		8,822	3,003
Trade and other receivables	11	4,090	8,114
Investments in securities		34,638	35,137
Bank balances and cash		5,223	1,386
		<hr/> 52,773 <hr/>	<hr/> 47,640 <hr/>
Current liabilities			
Trade and other payables	12	17,392	10,279
Other borrowings	13	10,000	—
		<hr/> 27,392 <hr/>	<hr/> 10,279 <hr/>
Net current assets		<hr/> 25,381 <hr/>	<hr/> 37,361 <hr/>
Total assets less current liabilities		280,341	295,127
Non-current liability			
Convertible note payable		57,500	57,250
Net assets		<hr/> 222,841 <hr/>	<hr/> 237,877 <hr/>
Capital and reserves			
Share capital		68,374	68,374
Reserves		154,467	169,503
Shareholders' funds		<hr/> 222,841 <hr/>	<hr/> 237,877 <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2003 - Unaudited**

	Share capital	Share premium	Contributed surplus	Translation reserve	Capital reserve	Investment revaluation reserve	Investment property revaluation reserve	Accumulated losses	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
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, net losses not recognised in the condensed consolidated income statement	—	—	—	—	—	(15,733)	—	—	(15,733)
Net loss for the period	—	—	—	—	—	—	—	(86,666)	(86,666)
Balance at 30 June 2002	68,374	135,369	422,882	5	802	(10,221)	—	(345,036)	272,175
Share of reserve movements of associates and, net (losses) gains not recognised in the condensed consolidated income statement	—	—	—	—	—	(3,214)	10,461	—	7,247
Net loss for the period	—	—	—	—	—	—	—	(41,545)	(41,545)
Balance at 31 December 2002	68,374	135,369	422,882	5	802	(13,435)	10,461	(386,581)	237,877
Share of reserve movements of associates and, net gains not recognised in the condensed consolidated income statement	—	—	—	—	—	7,792	—	—	7,792
Net loss for the period	—	—	—	—	—	—	—	(22,828)	(22,828)
Balance at 30 June 2003	68,374	135,369	422,882	5	802	(5,643)	10,461	(409,409)	222,841

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2003 - Unaudited**

	Six months ended 30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in) operating activities	(7,074)	(13,846)
Net cash from (used in) investing activities	911	(24,319)
Net cash from (used in) financing activities	10,000	—
	<hr/>	<hr/>
Increase (decrease) in cash and cash equivalents	3,837	(38,165)
Cash and cash equivalents at the beginning of the period	1,386	52,556
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	5,223	14,391
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	5,223	14,391
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

1. BASIS OF PREPARATION

The condensed 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 Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

2. PRINCIPAL ACCOUNTING POLICIES

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

In the current period, the Company has adopted, for the first time, SSAP 12 (Revised) “Income taxes” issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements which have been adopted in the condensed financial statements. The adoption of this standard has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Other than as described above, 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 2002.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three operating divisions - metals trading, sales of communication products and investments in securities. 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 2003				Total HK\$'000
	Metals trading HK\$'000	Sales of communication products HK\$'000	Investments in securities HK\$'000	Others HK\$'000	
Turnover	<u>30</u>	<u>551</u>	<u>—</u>	<u>—</u>	<u>581</u>
Segment result	(704)	(3,742)	832	—	(3,614)
Interest income					1
Unallocated corporate expenses					<u>(6,148)</u>
Loss from operations					(9,761)
Share of results of associates	—	—	732	3,634	4,366
Share of results of joint ventures	—	—	—	(124)	(124)
Amortisation of goodwill in respect of associates	<u>—</u>	<u>—</u>	<u>(14,342)</u>	<u>—</u>	<u>(14,342)</u>
Finance costs					<u>(2,397)</u>
Loss before taxation					(22,258)
Taxation					<u>(570)</u>
Net Loss for the period					<u><u>(22,828)</u></u>

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Six months ended 30 June 2002				Total HK\$'000
	Metals trading HK\$'000	communication products HK\$'000	Sales of Investments in securities 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 in respect of associates	—	—	(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)

4. LOSS FROM OPERATIONS

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging/(crediting):		
Depreciation	348	372
Dividend income from investments in securities	(557)	(165)
Interest income from		
- bank	(1)	(69)
- others	—	(450)
	<u> </u>	<u> </u>

5. FINANCE COSTS

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Interest on borrowings wholly repayable within five years		
Convertible note payable	(2,013)	(2,013)
Other payables	(134)	—
	<u> </u>	<u> </u>
	(2,147)	(2,013)
Amortisation of issue cost of convertible note payable	(250)	(250)
	<u> </u>	<u> </u>
	(2,397)	(2,263)
	<u> </u>	<u> </u>

6. 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.

No provision for deferred taxation has been provided in the financial statements as there were no significant temporary differences arising during the period or at the balance sheet date. No deferred taxation asset has been recognised due to the unpredictability of future profit streams.

7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the period of approximately HK\$22,828,000 (2002: HK\$86,666,000) and on the 6,837,422,389 (2002: 6,837,422,389) ordinary shares in issue.

Diluted loss per share figures are not presented for either the current or prior period as the effect of the potential ordinary shares outstanding in respect of the convertible note payable was anti-dilutive.

8. INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2003 (2002: nil).

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at cost of approximately HK\$420,000 (2002: nil).

10. INTERESTS IN ASSOCIATES

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Share of net assets	234,133	222,545
Unamortised goodwill in respect of acquisition of associates, net of impairment losses recognised of HK\$24,806,000 (2002: HK\$24,806,000)	<u>11,952</u>	<u>26,294</u>
	<u>246,085</u>	<u>248,839</u>

During the prior 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.

11. TRADE AND OTHER RECEIVABLES

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

An aged analysis of trade receivables is as follows:

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Not yet due	—	1,916
Overdue 0 - 60 days	—	1
Overdue 61-90 days	—	160
Overdue over 90 days	658	2,866
	<hr/> 658 <hr/>	<hr/> 2,866 <hr/>
	658	4,943

12. TRADE AND OTHER PAYABLES

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Overdue over 90 days	—	1,280
	<hr/> <hr/>	<hr/> <hr/>

An aged analysis of trade payables is as follows:

Overdue over 90 days	—	1,280
	<hr/> <hr/>	<hr/> <hr/>

13. OTHER BORROWINGS

During the period, the Group obtained new loans of the amount of HK\$10 million. The loans bore interest at prime rate plus 1% per annum and were fully repaid subsequent to the balance sheet date.

14. RELATED PARTY TRANSACTIONS

During the prior period, the Group paid rentals of approximately HK\$132,000 (2003: nil) for hiring motor vehicles from Very Nice Development Limited in which, Mr. Chiu Tao and Mr. Yeung Kwok Yu, directors of the Company, had beneficial interests.

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 six months of the year 2003 (the "Period") decreased by HK\$0.76 million to HK\$0.58 million. Net realized and unrealized gain on trading securities amounted to HK\$0.83 million as opposed to a loss of HK\$28.80 million for the corresponding period in 2002. Share of results of associates increased by HK\$1.83 million to HK\$4.37 million, and amortisation of goodwill in respect of associates has decreased during the Period as impairment loss on goodwill had been made in the year 2002. Overall, net loss for the Period decreased by approximately 74% to HK\$22.83 million. The Group's trading business has remained weak, while the Group's investment in Beauforte Investors Corporation Limited has yielded better return during the Period and was reflected in the Group's share of results of associates. Investment in securities was also better performed as the market sentiment started to turn around by the end of the Period.

As at 30 June 2003, the Group had cash and bank balances of HK\$5.22 million and investments in securities of HK\$34.64 million at market value. The Group had convertible note payable ("Convertible Note") in the principal amount of HK\$58 million with book value of HK\$57.50 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 Group also had other borrowings in the amount of HK\$10 million with interest rate at prime rate plus 1%, all these borrowings were subsequently repaid after balance sheet date. The gearing ratio was approximately 30%, based on the book value of the Convertible Note and other borrowings totalled of HK\$67.50 million and the shareholders' funds of HK\$222.84 million. The Group employed about thirty staff. Staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. In addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits. As at the date hereof, no share options have been granted under the share option scheme. Total staff costs amounted to approximately HK\$5 million.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2003, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:-

Name of director	Type of interest	Number of shares
Mr. Chiu Kong	Personal	4,000,000

The interest stated above represented long positions in the shares of the Company as at 30 June 2003.

Except as disclosed above, as at 30 June 2003, none of the directors and chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which are required (a) to be recorded in the register required to be kept under Section 352 of the SFO; or (b) to be 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.

As at 30 June 2003, no share options have been granted under the Company’s share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the register required to be kept under Section 336 of the SFO showed no person had an interest or a short position in the shares and underlying shares of the Company that were required to be recorded in that register.

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 2003 interim report has been reviewed by the audit committee which comprises two independent non-executive directors of the Company.

By order of the Board
Chiu Kong
Chairman

Hong Kong, 25 September 2003.