



Wonson International Holdings Limited

(Incorporated in Bermuda with limited liability)

2004 Interim Report

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 2004 together with the comparative figures for the corresponding period in 2003 as follow:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2004 - Unaudited

		Six months ended 30 June	
	NOTES	2004	2003
		HK\$'000	HK\$'000
Turnover	3	540	581
Cost of sales		(364)	(428)
Gross profit		176	153
Other operating income		116	558
Distribution costs		—	(135)
Administrative expenses		(8,480)	(11,169)
Net realised and unrealised (loss) gain on trading securities		(1,366)	832
Loss from operations	4	(9,554)	(9,761)
Finance costs	5	(2,346)	(2,397)
Gain on disposal of subsidiaries	6	2,909	—
Gain on disposal of interests in associates	7	12,254	—
Share of results of associates		1,027	4,366
Share of results of joint ventures		(127)	(124)
Amortisation of goodwill in respect of an associate		—	(14,342)
Profit (loss) before taxation		4,163	(22,258)
Taxation	8	—	(570)
Net profit (loss) for the period		4,163	(22,828)
Earnings (loss) per share - basic	9	HK\$0.06 cent	HK\$(0.33) cent

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2004

	<i>NOTES</i>	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 <i>(Audited)</i>
Non-current assets			
Property, plant and equipment	11	754	1,629
Interests in associates		—	78,000
Interests in joint ventures		6,386	6,513
		<hr/> 7,140 <hr/>	<hr/> 86,142 <hr/>
Current assets			
Inventories		2,251	7,470
Trade and other receivables	12	837	5,181
Investments in securities		20,555	49,440
Bank balances and cash		77,775	6,600
		<hr/> 101,418 <hr/>	<hr/> 68,691 <hr/>
Current liabilities			
Trade and other payables	13	4,968	17,375
Short-term borrowings		—	25,000
Convertible note payable		58,000	57,750
		<hr/> 62,968 <hr/>	<hr/> 100,125 <hr/>
Net current assets (liabilities)		<hr/> 38,450 <hr/>	<hr/> (31,434) <hr/>
Net assets		<hr/> 45,590 <hr/>	<hr/> 54,708 <hr/>
Capital and reserves			
Share capital		68,374	68,374
Reserves		(22,784)	(13,666)
Shareholders' funds		<hr/> 45,590 <hr/>	<hr/> 54,708 <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2004 - Unaudited**

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	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)
At 30 June 2003	68,374	135,369	422,882	5	802	(5,643)	10,461	(409,409)	222,841
Share of reserve movements of associates and net gains not recognised in the condensed consolidated income statement	—	—	—	—	—	7,556	907	—	8,463
Net loss for the period	—	—	—	—	—	—	—	(176,596)	(176,596)
At 31 December 2003	68,374	135,369	422,882	5	802	1,913	11,368	(586,005)	54,708
Release of reserves upon disposal of associates	—	—	—	—	—	(1,913)	(11,368)	—	(13,281)
Net profit for the period	—	—	—	—	—	—	—	4,163	4,163
At 30 June 2004	<u>68,374</u>	<u>135,369</u>	<u>422,882</u>	<u>5</u>	<u>802</u>	<u>—</u>	<u>—</u>	<u>(581,842)</u>	<u>45,590</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2004 - Unaudited**

	Six months ended 30 June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in) operating activities	(9,153)	(7,074)
Net cash from investing activities (Note)	105,328	911
Net cash (used in) from financing activities	(25,000)	10,000
	<hr/>	<hr/>
Increase in cash and cash equivalents	71,175	3,837
Cash and cash equivalents at the beginning of the period	6,600	1,386
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	77,775	5,223
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	77,775	5,223
	<hr/> <hr/>	<hr/> <hr/>

Note: Included in net cash from investing activities are proceeds from disposal of associates and trading securities amounting to HK\$78,000,000 and HK\$27,602,000 respectively.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

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 No. 25 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2003.

3. 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 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 2004					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	430	110	—	—	—	540
Segment result	(92)	(6)	(1,366)	—	—	(1,464)
Dividend income	—	—	113	—	—	113
Interest income	—	—	—	—	—	2
Unallocated corporate expenses	—	—	—	—	—	(8,205)
Loss from operations	—	—	—	—	—	(9,554)
Gain on disposal of interests in associates	—	—	12,254	—	—	12,254
Gain on disposal of subsidiaries	—	2,909	—	—	—	2,909
Share of results of associate	—	—	1,027	—	—	1,027
Share of results of joint ventures	—	—	—	—	(127)	(127)
Finance costs	—	—	—	—	—	(2,346)
Net profit for the period	—	—	—	—	—	4,163

The directors of the company consider that the Group will continue to engage in the business of marketing consultancy services.

3. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	Six months ended 30 June 2003					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	30	551	—	—	—	581
Segment result	(704)	(3,742)	832	—	—	(3,614)
Dividend income	—	—	557	—	—	557
Interest income	—	—	—	—	—	1
Unallocated corporate expenses	—	—	—	—	—	(6,705)
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	—	—	(14,342)	—	—	(14,342)
Finance costs	—	—	—	—	—	(2,397)
Loss before taxation	—	—	—	—	—	(22,258)
Taxation	—	—	—	—	—	(570)
Net loss for the period	—	—	—	—	—	(22,828)

4. LOSS FROM OPERATIONS

	Six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging:		
Depreciation	318	348
and after crediting:		
Dividend income from investments in securities	113	557
Interest income	2	1

5. FINANCE COSTS

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Interest on borrowings wholly repayable within five years:		
Convertible note payable	(2,024)	(2,013)
Other payables	(72)	(134)
	<u>(2,096)</u>	<u>(2,147)</u>
Amortisation of issue cost of convertible note payable	(250)	(250)
	<u>(2,346)</u>	<u>(2,397)</u>

6. DISPOSAL OF SUBSIDIARIES

During the period, the Group disposed of its interests in certain subsidiaries which were engaged in developing and trading of communication equipment.

The effect of the disposal is summarised as follows:

	HK\$'000
Net liabilities disposed of:	
Property, plant and equipment	557
Inventories	4,939
Trade and other receivables	3,312
Bank balances and cash	233
Trade and other payables	(11,908)
	<u>(2,867)</u>
Gain on disposal of subsidiaries	2,909
	<u>42</u>
Cash consideration	<u>42</u>
Net cash inflow (outflow) arising on disposal:	
Cash consideration	42
Bank balances and cash disposed of	(233)
	<u>(191)</u>

The subsidiaries disposed of did not make any significant contribution to the results or cash flows of the Group during the period.

7. DISPOSAL OF INTERESTS IN ASSOCIATES

During the period, the Group disposed of its entire interests in associates. The effect of the disposal is summarised as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Interests in associates	232,437
Less: Impairment loss recognised	(153,410)
	<hr/>
	79,027
Reserves attributable to the Group and released upon disposal	(13,281)
	<hr/>
	65,746
Gain on disposal of interests in associates	12,254
	<hr/>
Cash consideration received	78,000
	<hr/> <hr/>

8. TAXATION

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

9. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the net profit for the period of approximately HK\$4,163,000 (2003: net loss for the period of HK\$22,828,000) and on the 6,837,422,389 (2003: 6,837,422,389) ordinary shares in issue.

No diluted earnings (loss) per share has been presented for the current and prior periods as the effect of the potential ordinary shares outstanding in respect of the convertible note payable was anti-dilutive.

10. INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2004 (2003: nil).

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group did not acquire any property, plant and equipment (2003: HK\$420,000).

12. TRADE AND OTHER RECEIVABLES

The Group has 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 2004 HK\$'000	31 December 2003 HK\$'000
Not yet due	110	2,560
Overdue over 90 days	—	24
	<u>110</u>	<u>2,584</u>

13. TRADE AND OTHER PAYABLES

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Overdue over 90 days	—	4,868
	<u>—</u>	<u>4,868</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover for the first six months of the year 2004 decreased by 7% to HK\$540,000. Net realized and unrealized loss on trading securities amounted to HK\$1,366,000 as opposed to a gain of HK\$832,000 for the corresponding period in 2003. The Group's trading business has declined slightly and investment in securities has not been performing well. The Group's performance is quite dependent on the market factors. On 5 January 2004, the Group signed an agreement to dispose of its entire equity interest in the issued share capital of Beauforte Investors Corporation Limited ("Beauforte") to independent third parties for an aggregate consideration of HK\$78,000,000, and the transaction was completed on 4 March 2004. Details of this transaction has been disclosed in the Company's announcements dated 9 January, 20 February and 4 March 2004 and the Company's circular dated 30 January 2004. As a result, share of results of associates decreased during the current period and a gain on disposal of interests in associates amounted to HK\$12,254,000. There was no amortisation of goodwill in respect of an associate in the current period as goodwill has been fully amortised during the past year. Overall, net profit for the first six months of the year 2004 was HK\$4,163,000 as opposed to a loss of HK\$22.83 million for the corresponding period in 2003.

As at 30 June 2004, the Group had cash and bank balances of approximately HK\$77.78 million and investments in securities of approximately HK\$20.56 million at market value. The Group had convertible note payable ("Convertible Note") in the principal amount of HK\$58.00 million. The Convertible Note was issued on 3 July 2001 and is unsecured. It bears interest at 7% per annum and mature on the third anniversary of the date of issue. In July 2004, the Convertible Note was fully repaid upon maturity. The gearing ratio was approximately 127%, based on the book value of the Convertible Note in the amount of HK\$58.00 million and the shareholders' funds of HK\$45.59 million. The Group employed about twenty 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 was around HK\$4.00 million.

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

As at 30 June 2004, 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 2004.

Except as disclosed above, as at 30 June 2004, 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 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 2004, no share options have been granted under the Company's share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, 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 2004 interim report has been reviewed by the audit committee which comprises two independent non-executive directors of the Company.

As at the date of this interim report, the Board of the Company comprises Mr. Chiu Kong, Mr. Tsui Ching Hung, Mr. Hui, Richard Rui, Mr. Chung Nai Ting and Mr. Tse Lanny Cheuk Ming as Executive Directors, and Mr. Tong Wui Tung and Mr. Chan Sze Hung as Independent Non-executive Directors.

By order of the Board
Chiu Kong
Chairman

Hong Kong, 23 September 2004.