Wonson International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 651)

Interim Report

09

CONTENTS

	Pages(s)
Condensed Consolidated Income Statement	2
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Balance Sheet	4
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Cash Flow Statement	7
Notes to the Condensed Consolidated Financial Statements	8
Management Discussion and Analysis	22
Other Information	27

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Notes	**Six months ended 30 June** **2009** *HK$'000* **(Unaudited)**	2008 *HK$'000* (Unaudited)
Revenue	3	**600,438**	428,991
Cost of sales		**(596,668)**	(392,302)
		3,770	36,689
Other income		**1,585**	45,610
Loss on disposal of available-for-sale investments		**—**	(1,025)
Gain on disposal of subsidiaries	15	**124**	—
Change in fair value of investments held for trading		**(7,941)**	(14,351)
Impairment loss on goodwill		**—**	(22,221)
Distribution and selling expenses		**(462)**	(202)
Administrative expenses		**(35,195)**	(57,924)
Finance costs	4	**(55,825)**	(81,201)
Loss before tax	5	**(93,944)**	(94,625)
Taxation	6	**(7,525)**	(5,527)
Loss for the period		**(101,469)**	(100,152)
Loss per share - Basic	7	**HK(14.80) cents**	HK(28.43) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(101,469)**	(100,152)
Other comprehensive income, net of tax		
Exchange differences on translation of foreign operations	**3,118**	62,520
Net loss on change in fair value of available for-sale investment	**—**	(261)
Other comprehensive income, net of tax	**3,118**	62,259
Total comprehensive loss attributable to equity shareholder of the Company	**(98,351)**	(37,893)

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2009

	Notes	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**976,663**	916,871
Deposit paid for acquisition of property, plant and equipment		**—**	3,029
Prepaid lease payments - non current portion		**342,561**	345,004
Goodwill		**514,179**	514,179
Intangible asset	8	**1,465,285**	1,546,602
		3,298,688	3,325,685
Current assets			
Inventories		**468,367**	482,125
Trade and other receivables	9	**492,619**	562,518
Prepayment for purchase of raw materials		**852,846**	863,043
Prepaid lease payment - current portion		**1,702**	1,701
Investments held for trading		**6,223**	18,423
Pledged bank deposits		**409,411**	176,648
Bank balances and cash		**175,769**	158,155
		2,406,937	2,262,613
Current liabilities			
Trade, bills and other payables	10	**1,290,492**	1,371,331
Amounts due to customers for contract work		**243,898**	358,079
Margin loan payable		**27,188**	32,499
Bank overdrafts		**—**	4,521
Bank borrowings - due within one year	11	**411,364**	113,637
Provision for warranty	12	**16,676**	2,974
Deferred consideration		**186,723**	173,447
		2,176,341	2,056,488
Net current assets		**230,596**	206,125
		3,529,284	3,531,810

CONDENSED CONSOLIDATED BALANCE SHEET *(con't)*

	Notes	**30 June 2009** **_HK$'000_** **(Unaudited)**	31 December 2008 *HK$'000* (Audited)
Capital and reserves			
Share capital	13	**37,605**	33,740
Reserves		**2,261,955**	2,259,669
		2,299,560	2,293,409
Non-current liabilities			
Bank borrowings			
- due after one year	11	**250,000**	227,273
Convertible notes payable	14	**392,091**	421,440
Deferred tax liabilities		**587,633**	589,688
		1,229,724	1,238,401
		3,529,284	3,531,810

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Convertible notes reserve HK$'000	Shared-based payment reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009	33,740	2,666,673	528,327	84,956	802	162,236	42,012	–	(1,225,337)	2,293,409
Exchange difference on translation directly recognised in equity	–	–	–	3,118	–	–	–	–	–	3,118
Loss for the period	–	–	–	–	–	–	–	–	(101,469)	(101,469)
Total comprehensive loss for the period	–	–	–	3,118	–	–	–	–	(101,469)	(98,351)
Release of deferred tax liability upon conversion	–	–	–	–	–	3,218	–	–	–	3,218
Recognition of equity-settled shared-based payment	–	–	–	–	–	–	3,688	–	–	3,688
Placement of shares	3,400	39,645	–	–	–	–	–	–	–	43,045
Conversion of convertible notes payable	465	75,702	–	–	–	(21,616)	–	–	–	54,551
At 30 June 2009 (unaudited)	**37,605**	**2,782,020**	**528,327**	**88,074**	**802**	**143,838**	**45,700**	**–**	**(1,326,806)**	**2,299,560**
At 1 January 2008	17,198	495,907	528,327	–	802	3,454	–	261	(756,341)	289,608
Loss on change in fair value of available-for-sale investments recognised directly in equity	–	–	–	–	–	–	–	(1,286)	–	(1,286)
Exchange differences on translation directly recognised in equity	–	–	–	62,520	–	–	–	–	–	62,520
Released on disposal of available-for-sale investment	–	–	–	–	–	–	–	1,025	–	1,025
Loss for the period	–	–	–	–	–	–	–	–	(100,152)	(100,152)
Total comprehensive loss for the period	–	–	–	62,520	–	–	–	(261)	(100,152)	(37,893)
Conversion of convertible notes payable	588	9,671	–	–	–	(705)	–	–	–	9,554
Recognition of equity component of convertible notes	–	–	–	–	–	925,081	–	–	–	925,081
Deferred tax liability arising on recognition of equity component of convertible notes	–	–	–	–	–	(231,270)	–	–	–	(231,270)
Recognition of equity-settled shared-based payment	–	–	–	–	–	–	36,134	–	–	36,134
At 30 June 2008 (unaudited)	17,786	505,578	528,327	62,520	802	696,560	36,134	–	(856,493)	991,214

CONSENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**43,599**	393,113
NET CASH USED IN INVESTING ACTIVITIES	**(364,109)**	(184,937)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**342,645**	(84,300)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**22,135**	123,876
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**—**	7,357
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**153,634**	74,439
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**175,769**	205,672
Representing:		
BANK BALANCES AND CASH	**175,769**	205,672

1. GENERAL

This unaudited 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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and with Hong Kong Accounting Standard 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited condensed interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2008, which have been prepared in accordance with HKFRSs.

2. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The significant accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with the 2008 annual financial statements except that, the Group has adopted the following new and revised standards, amendments to standards and interpretations issued by the HKICPA if they are relevant to its operations.

The new and revised standards, amendments to standards and interpretations mandatory for the financial year ending 31 December 2009 are as follows:

HKAS 1 (Revised) and Amendment	"Presentation of Financial Statements"
HKAS 16 Amendment	"Property, Plant and Equipment"
HKAS 19 Amendment	"Employee Benefits"
HKAS 20 Amendment	"Accounting for Government Grants and Disclosure of Government Assistance"
HKAS 23 (Revised) and Amendment	"Borrowing Costs"
HKAS 27 Amendment	"Consolidated and Separate Financial Statements"
HKAS 28 Amendment	"Investments in Associates"
HKAS 31 Amendment	"Interests in Joint Ventures"
HKAS 36 Amendment	"Impairment of Assets"
HKAS 38 Amendment	"Intangible Assets"
HKAS 39 Amendment	"Financial Instruments: Recognition and Measurement"
HKAS 40 Amendment	"Investment Property"
HKFRS 1 and HKAS27 Amendments	"Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
HKFRS 2 Amendment	"Share-based Payment - Vesting Conditions and Cancellations"
HKFRS 7 Amendment	"Improving Disclosures about Financial Instruments"
HKFRS 8	"Operating Segments"
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"
HK(IFRIC)-Int 9 and HKAS 39Amendments	"Embedded Derivatives"

2. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Con't)*

Except for certain changes in presentation and disclosures of financial information as described below, the adoption of the above new and revised standards, amendments to standards and interpretations in the current period did not have any significant effect on the unaudited condensed consolidated interim financial statements or result in any significant changes in the Group's significant accounting policies.

- HKAS 1 (Revised), "Presentation of financial statements". The Group has elected to present two statements: an income statement and a statement of comprehensive income. The unaudited condensed consolidated interim financial statements have been prepared under the revised disclosure requirements;

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions. It is not expected to have a material impact on the Group's financial statements as the present segments information has been identified on the basis of internal reports reviewed by the decision maker.

The HKICPA has issued certain revised standards, amendments to standards and interpretations which are not yet effective for the year ending 31 December 2009.The Group has not early adopted the revised standards, amendments to standards and interpretations, which are not yet effective for the year ending 31 December 2009, in the unaudited condensed consolidated interim financial statement, but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

3. REVENUES AND SEGMENT INFORMATION

Revenue from shipbuilding represents contracted revenue arising on construction contracts for shipbuilding for the period.

The chief operating decision-maker has been identified as the board of directors. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed form a business perspective: shipbuilding and its related business and trading businesses (including metal trading and securities trading).

The segment information for the six months ended 30 June 2009 is as follows:

	Ship building *HK$'000*	Trading Businesses *HK$'000*	Total *HK$'000*
Gross proceeds	**600,438**	**4,259**	**604,697**
Revenue from external customers	**600,438**	**—**	**600,438**
Segment result	**(28,180)**	**(18,232)**	**(46,412)**
Interest income			**1,585**
Share-based payment expenses			**(2,966)**
Finance costs			**(46,151)**
Loss before tax			**(93,944)**
Taxation			**(7,525)**
Loss for the period			**(101,469)**

3. REVENUES AND SEGMENT INFORMATION *(Con't)*

The segment information for the six months ended 30 June 2008 is as follows:

	Ship building *HK$'000*	Trading Businesses *HK$'000*	Total *HK$'000*
Gross proceeds	428,219	382,454	810,673
Revenue	428,219	772	428,991
Segment result	36,065	(29,365)	6,700
Interest income			2,946
Share-based payment expenses			(10,021)
Finance costs			(72,029)
Impairment of goodwill			(22,221)
Loss before taxation			(94,625)
Taxation			(5,527)
Loss for the period			(100,152)

4. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on borrowings wholly repayable within five years:		
Convertible notes payable at effective interest rates (Note 14)	**30,984**	62,299
Imputed interest expense on deferred consideration	**13,277**	5,533
Bank borrowings	**9,674**	9,172
Other borrowings	**1,890**	4,197
	55,825	81,201

5. LOSS BEFORE TAX

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before tax has been arrived at after charging:		
Share-based payment expense	**3,688**	36,134
Amortisation of intangibles assets (included in cost of sales)	**81,317**	33,882
Depreciation of property, plant and equipment	**23,859**	15,154
Release of prepaid lease payments	**2,443**	2,147
and after crediting:		
Gain on disposal of property, plant and equipment	**4**	—

6. TAXATION

No provision for Hong Kong Profits Tax has been made since the Group has no assessable profits for both periods.

In accordance with Article 8 of the Foreign Enterprise Income Tax ("FEIT') law of the People Republic of China (the "PRC"), foreign investment enterprises ("FIEs") of production nature are eligible to enjoy two years of exemption and three years of 50% deduction in FEIT starting from the first profit - making year (the "2+3 tax holidays"). The first fully exempted financial year of Jiangxi Jiangzhou Union Shipbuilding Co., Ltd was the year ended 31 December 2007, the full exemption period for Jiangxi Jiangzhou Union Shipbuilding Co., Ltd has expired at 31 December 2008.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law ("Implementation Regulations"). The New Law and Implementation Regulations will change the tax rate to 25% for certain subsidiaries from 1 January 2008 onwards. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), certain tax exemption and deduction for the FEIT is still applicable until the end of the five-year transitional period under the New Law.

Under the New Law and Implementation Regulations, Jiangxi Jiangzhou Union Shipbuilding Co., Ltd continues to enjoy the preferential tax treatment (12.5% effective tax rate, i.e.50% of the applicable tax rate of 25%) for each of the years from 2009 to 2011 Thereafter, the tax rate will ratchet up to 25% from 2012.

According to the New Law, 10% withholding income tax will be imposed on dividends relating to profits earned in 2008 onwards to foreign investors for the companies established in the PRC. A deferred tax of approximately HK$5,062,000 has been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to such profits.

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to equity holders of the Company	**(101,469)**	(100,152)

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	(Note)	*(Note)*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	**685,559,873**	352,250,201

Note: The weighted average number of ordinary shares has been adjusted for the effect of share consolidation as described in note 13.

No diluted loss per share was presented for the period ended 30 June 2009 and 2008 because the exercise of both share options and convertible notes has an anti-dilutive effect.

8. INTANGIBLE ASSET

Intangible asset represents contracted and uncontracted customer relationships arising from the acquisition of INPAX Group.

The fair value of the intangible asset as at the date of acquisition was arrived using the multi-period excess earnings method under the income capitalisation approach. Under the income capitalisation approach the value of an asset reflects the future cash flows it generates. The multi-period excess earnings method assumes that the value of the asset equals to the present value of the incremental after tax cash flows attributable to the asset.

The amount will be amortised over its estimated useful life of 10 years on a straight-line basis.

9. TRADE AND OTHER RECEIVABLES

	30 June 2009 *HK$'000* **(Unaudited)**	31 December 2008 *HK$'000* (Audited)
Trade receivables	**1,938**	3,053
Value-added tax recoverable	**146,019**	109,385
Amount receivable from a stakeholder *(Note)*	**231,892**	426,004
Others	**112,770**	24,076
Total trade and other receivables	**492,619**	562,518

Note:

A ship buyer has made progress payment for ship construction contracts to a stakeholder rather than directly to the Group. The amounts received by the stakeholder will be paid over to the Group based on the progress of the contract work.

The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet dates:

	30 June 2009 *HK$'000* **(Unaudited)**	31 December 2008 *HK$'000* (Audited)
0 - 30 days	**671**	—
30 - 60 days	**167**	—
61 - 90 days	**144**	—
Over 90 days	**956**	3,053
	1,938	3,053

10. TRADE, BILLS AND OTHER PAYABLES

	30 June 2009 *HK$'000* **(Unaudited)**	31 December 2008 *HK$'000* (Audited)
Trade payable	**47,163**	40,753
Bills payable	**291,109**	204,545
Advance from customers for ship construction contract	**795,376**	1,024,767
Interest payable	**27,387**	20,160
Consideration payable for acquisition of prepaid lease payment	**42,859**	42,859
Others	**86,598**	38,247
	1,290,492	1,371,331

Included in trade and other payables are trade and bills payable of HK$338,272,000. The following is an aged analysis of trade payables at the balance sheet dates:

	30 June 2009 *HK$'000* **(Unaudited)**	31 December 2008 *HK$'000* (Audited)
0 - 30 days	**93,414**	79,538
30 - 60 days	**9,895**	25,757
61 - 90 days	**47,690**	1,916
Over 90 days	**187,273**	138,087
	338,272	245,298

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payable is within the credit timeframe.

Bills payable are secured by pledged bank deposits.

Consideration payable is unsecured, non interest bearing and repayable upon agreement on the consideration by the Group and the vendor.

11. BANK BORROWINGS

	30 June 2009 *HK$'000* **(Unaudited)**	31December 2008 *HK$'000* (Audited)
Bank loans:		
Secured	**215,909**	52,296
Unsecured	**445,455**	288,614
	661,364	340,910
Carrying amount repayable:		
On demand or within one year	**411,364**	113,637
More than two years but not more than five years	**250,000**	227,273
	661,364	340,910
Less: Amounts due within one year shown under current liabilities	**(411,364)**	(113,637)
	250,000	227,273

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	30 June 2009 *HK$'000* **(Unaudited)**	31December 2008 *HK$'000* (Audited)
Fixed-rate borrowings:		
Within one year	**411,364**	113,637
In more than two years but not more than five years	**250,000**	227,273
	661,364	340,910

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

Effective interest rate:	
Fixed-rate borrowings	4.86% to 8.42%
Variable-rate borrowing	Hong Kong Prime rate + 2%

12. PROVISION FOR WARRANTY

The Group provides a one-year warranty on shipbuilding and undertakes to repair or replace items that fail to perform satisfactorily. The provision is based on the historical data of the level of repairs and replacement and technical estimates provided by the management.

13. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.001 each as at 1 January 2009	250,000,000,000	250,000
Shares consolidation on 25 June 2009	(245,000,000,000)	—
Ordinary shares of HK$0.05 each as at 30 June 2009	5,000,000,000	250,000
Issued and fully paid:		
Ordinary shares of HK$0.001 each as at 1 January 2009	33,739,982,591	33,740
Placement of shares (Note (a))	3,400,000,000	3,400
Conversion of convertible notes (Note (b))	465,000,000	465
	37,604,982,591	37,605
Consolidation of shares (Note (c))	(36,852,882,940)	—
Ordinary shares of HK$0.05 each as at 30 June 2009	**752,099,651**	**37,605**

Notes:

(a) On 21 May 2009, the Company entered into a placing agreement with a placing agent for placement of 3,400,000,000 ordinary shares of HK$0.001 each of the Company on a best-efforts basis at the price of HK$0.013 per share to independent third parties.

(b) During the period, CNI (as defined in note 14) were converted into 465,000,000 ordinary shares of HK$0.001 each of the Company.

(c) Pursuant to an ordinary resolution at the annual general meeting held on 24 June 2009, every fifty issued and unissued shares of HK$0.001 each in the Company was consolidated into one share of HK$0.05 each in the Company and the share consolidation became effective on 25 June 2009.

(d) On 20 August 2009, the Company entered into a placing agreement with a placing agent for placement of 150,000,000 ordinary shares of HK$0.05 each of the Company on a best-efforts basis at the price of HK$0.43 per share to independent third parties.

14. CONVERTIBLE NOTES PAYABLE

The Company issued convertible notes in April 2008. The details are as follows:

On 5 November 2007, the Company entered into a conditional agreement to issue convertible notes under an acquisition agreement for the acquisition of the entire interest in INPAX Group. The convertible notes ("CNI") were issued on 16 April 2008 upon completion of the acquisition.

CNI comprises restricted convertible notes and unrestricted convertible notes.

The aggregate principal amount of the unrestricted convertible notes issued is HK$2,400 million.

The aggregate initial principal amount of the restricted convertible notes issued is HK$600 million, which is subject to downward adjustment for the potential shortfall between the guaranteed profit of HK$600 million and the audited profit after taxation of INPAX Group for the year ended 31 December 2008. Based on the audited profit after taxation of INPAX Group of HK$217 million, the shortfall was determined to be approximately HK$383 million as compared to the guaranteed profit of HK$600 million.

The holder(s) of the restricted convertible notes may convert the whole or any part of the principal amount of the restricted convertible notes outstanding into ordinary shares of HK$0.001 each of the Company from 5 June 2009 to 15 April 2011 at the initial conversion price of HK$0.15 per share. The conversion price was adjusted to HK$7.50 upon the share consolidation with effect from 25 June 2009.

The holder(s) of the unrestricted convertible notes may convert the whole or any part of the principal amount of the unrestricted convertible notes outstanding into ordinary shares HK$0.001 each of the Company from 16 April 2008, the date of issue of the convertible notes, to 15 April 2011, the date of maturity, at an initial conversion price of HK$0.15 per conversion share. The conversion price was adjusted to HK$7.50 upon the completion of share consolidation with effect from 25 June 2009.

In respect of the restricted convertible note, no interest will be payable. For the unrestricted convertible note, coupon interest at the rate of 1.5% per annum will be accrued on a day to day basis on the outstanding principal amount, payable semi-annually in arrears.

The effective interest rate of the liability portion of CNI was 16.25%.As at the balance sheet date, the unconverted principal amount of restricted and unrestricted convertible notes is HK$147.55 million and HK$360 million, respectively.

15. GAIN ON DISPOSAL OF SUBSIDIARIES

During the period, the Group disposed of a direct wholly owned subsidiary, namely Able King Investment Limited, and its subsidiaries to an independent third party at considerations of HK$1,000 in June 2009.

The effect of the disposal is summarised as follows:

	HK$'000
	(Unaudited)
Net liabilities disposal of:	
Other receivables	**143**
Cash in bank	**1,532**
Other payables	**(1,800)**
	(125)
Gain on disposal of subsidiaries	**124**
Cash consideration	**1**

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

16. CAPITAL COMMITMENTS

	30 June 2009	31December 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**87,102**	40,587
Capital expenditure in respect of the acquisition of properties, plant and equipment authorised but not contracted for	**—**	79,418

17. PLEDGE OF ASSETS

	30 June 2009 HK$'000 (Unaudited)	31December 2008 HK$'000 (Audited)
Bank deposits	**409,411**	176,648
Prepaid lease payments	**36,060**	37,250
Property, plant and equipment	**784,407**	—
	1,229,878	213,898

Bank deposits, prepaid lease payments and property, plant and equipment were pledged to banks for banking facilities granted by banks to the group.

Pledged bank deposits represents deposits pledged to banks to secure bills payable issued by the Group and is therefore classified as current assets. The pledge on the bank deposits will be released upon the settlement of relevant bills payables.

18. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% or HK$1,000 in maximum of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of PRC. The retirement scheme contributions, which are based on a certain percentage of the basic salaries of the relevant subsidiaries' employees, are charged to the consolidated income statement in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme. The only obligation of the Group with respect to the retirement benefits schemes operated by the PRC is to make the required contributions under the schemes.

The retirement benefit cost charged to the consolidated income statement represents contributions payable to the scheme by the Group at rate specified in the rules of the scheme.

19. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments payable under non-cancellable operating leases which fall due as follows:

	30 June 2009	31December 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
In respect of rented premises:		
Within one year	**59**	807
In the second to fifth year inclusive	**—**	295
	59	1,102

20. RELATED PARTY TRANSACTIONS

Guarantee fees paid to a related party

On 16 November 2007 and on 2 January 2008, a company, controlled by Mr. Li Ming (a director of the Company) entered into two guarantee agreements with Jiangxi Jianzhou shipbuilding Co., Ltd (the "Jiangxi Jianzhou"), an indirect wholly-owned subsidiary of the Company in respect of Jiangxi Jianzhou's payment obligations under bank facilities with various banks for vessels manufacturing (the "Guarantees") (where no security over the assets of the Group is granted in respect thereof). Being an associate of Mr. Li, the guarantee fee paid to the company is treated as a related party transaction. For the six months ended 30 June 2009, the fees paid by the Group to the related party amounted to RMB2 million.

Compensation of key management personnel

The remuneration of directors during the period was as follows:

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**1,739**	898
Share-based payment expenses	**3,012**	9,841
	4,751	10,739

The remuneration of directors is determined by reference to market terms, individual responsibilities and performance

MANAGEMENT DISCUSSION AND ANALYSIS

A. Overview

During the period under review, the Group is engaged in the production and operation of shipbuilding and trading of securities. For the six months ended 30 June 2009, the Group recorded a revenue of HK$600.44 million (2008: HK$428.99 million), an increase of 39.97% over the same period of last year. The increase in revenues was due to the Group recorded six months' revenues of shipbuilding business during the period under review while it only recorded the revenues after the completion of acquisition of Inpax Group on 16 April 2008 in the corresponding period.

The half-year gross profit *(before deducting the amortisation of intangible assets of HK$81.32 million (2008: HK$33.88 million)* was HK$85.09 million (2008: HK$70.57 million) and gross profit margin was 14.17% (2008:16.45%). The decrease in gross profit margin was mainly due to the exchange difference arising from appreciation in the value of RMB, increasing raw materials costs and the costs of modification. The half-year other income was decreased HK$44.02 million versus the corresponding period last year to HK$1.59 million. The decrease was due to other income for the corresponding period included HK$40.11 million exchange gain resulting from the change of functional currency of the Group. The amortisation of intangible assets was increased HK$47.44 million due to it represented six months' amortisation cost during the period under review versus two and half months' amortisation cost in the corresponding period. As the Company considered that the fair value of goodwill did not have material change since 31 December 2008, there is no additional impairment loss was recognised during the period under review. It caused the decrease of impairment loss of HK$22.22 million in this period. The administrative expense was HK$35.19 million, down HK$22.73 versus the corresponding period last year. The administrative expenses in the corresponding period include a non-recurring share based payment HK$36.13 million. The Group recorded finance costs of HK$55.83million versus HK$81.20million for the corresponding period last year, reflecting a significant decrease in imputed interest expenses. The decrease of imputed interest was due to a majority of convertible notes has been converted into shares in the second half of last year. The increase in amortisation cost and the decrease in other income were compensated by the decreases of impairment loss of goodwill, administrative expenses and finance costs. Subsequently, the Group recorded a loss attributable to shareholders of HK$101.47 million (2008: loss of HK$100.15 million) for the six months ended 30 June 2009. The loss for the period under review was slightly increased by 1.32% in comparing with the same period of last year.

B. Shipbuilding business

Before the international financial crisis in September 2008, China's Shipbuilding industry has maintained rapid growth for six years running in terms of tonnage of vessels completed and the orders for vessels in hand. After that, the industry faced a grim situation but shows signs of recovery since June 2009.The industry seems to recover gradually from its bottom.

During the period under review, the shipbuilding business generated revenue of approximately HK$600.44 million representing an increase of approximately of 39.77% as compared to approximately HK$428.99 million in the corresponding period last year. The increase in revenues was due to the Group recorded six months' revenues during the period under review while it only recorded the revenues after the completion of acquisition of Inpax Group in the corresponding period. The shipbuilding business recorded a profit before tax of HK$53.86 million *(before deducting amortisation of intangible assets)*, representing a decrease of approximately of 23.00% as compared to approximately HK$69.95 million *(before deducting amortisation of intangible assets)*. The decrease of average monthly revenue, the gross profit margin and the profit of shipbuilding business were due to the following factors: (i) certain modifications to the vessels were required, which defer delivery of vessels; (ii) exchange difference arising from appreciation in the value of RMB; (iii) increasing raw materials costs; and (iv) the modification costs.

As at 30 June 2009, the order in hand of the Group reached 37 vessels totalling amounted to approximately HK$8 billion, with shipbuilding work arranged to 2011 and even to 2012. The Group actively assisted the financing of ship-owners to ensure performance of secured orders. Barring unforeseen factors, the Group believed that no ship-owners, who placed orders to the Group, will cancel their orders or abandon new-built vessels.

C. Trading businesses

For the six months ended 30 June 2009, the securities trading business recorded a loss of HK$7.94 million as compared to a loss of HK14.35 million in the corresponding period last year. The loss of securities trading was mainly reflected the change in fair value of investments held. The Group did not make additional investment in securities and carried out metal trading business during the period under review.

PROPOSED CHANGE OF COMPANY NAME

The Board announced on 16 September 2009 that it proposed to change the English name of the Company from "Wonson International Holdings Limited" to "China Ocean Shipbuilding Industries Group Limited" and adopt the Chinese name "中海船舶重工集團有限公司 " as secondary name of the Company.

After the Group penetrated into the market of shipbuilding business in the PRC in 2008, the Board considered that the change of the Company name will benefit its future business development as the new name of the Company will better reflect the new development focus of the shipbuilding related business of the Group and provide the Company with a new corporate identity and image.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

On 21 May 2009, the Company entered into a placing agreement with a placing agent for placement of 3,400,000,000 ordinary shares of HK$0.001 each of the Company on a best-efforts basis at the price of HK$0.013 per share to independent third parties. The placement was completed on 5 June 2009 and the net proceeds of the placing amounted to approximately HK$43 million.

As at 30 June 2009, the Group had cash and bank balances of approximately HK$585.18 million (31 December 2008: HK$334.80 million) in which HK$409.41 million was pledged (31 December 2008: HK$176.65 million); unsecured short term margin loan of HK$27.19 million (31 December 2008: HK$32.50 million); unsecured short term bank loan of HK$411.36 million (31 December 2008: HK$113.64 million); long term bank borrowing of HK$250.00 million (31 December 2008: HK$227.27 million); long term convertible notes payable amounted to approximately HK$392.09 million (31 December 2008:HK$421.44million) represented liabilities component of principal amount of HK$507.55 million (31 December 2008: HK$577.00 million). The gearing ratio defined as non-current liabilities and short term loans divided by total shareholders' equity was 0.73 at 30 June 2009.(31 December 2008:0.61).

CHARGES ON GROUP ASSETS

As at 30 June 2009, HK$409.41million (31 December 2008: 176.65 million) of bank deposit, HK$36.06 million (31 December 2008: 37.25 million) of prepaid lease payments and HK$784.41million (31 December 2008: nil) of property, plant and equipment were pledged to banks for banking facilities granted by banks to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The income and expenditure of the Group were denominated in Hong Kong Dollar, United States Dollars and EURO. As at 30 June 2009, the Group does not hedge its exposure foreign exchange risk profile. The Board will consider appropriate hedging measure in future as may be necessary.

NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as the information disclosed in note 15 to the accounts, there was no new business, material acquisitions and disposals of subsidiaries and associated companies in the period under review.

POST BALANCE SHEET EVENTS

As at 30 June 2009, the Group had no significant post balance sheet events.

LITIGATION

During the period under review, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group.

HUMAN RESOURCES

The Group had around 1,300 employees as at 30 June 2009. It has been the Group's policy to ensure that the pay levels of its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees based in Hong Kong. Shares options may also be granted to eligible persons of the Group.

CONTINGENT LIABILITIES

At 30 June 2009, the Group has no material contingent liabilities.

CAPITAL COMMITTMENT

At 30 June 2009, the Group has capital expenditure of approximately HK$87.10million (31 December 2008: HK$40.59million) contracted but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment.

PROSPECTS

The Group is trying its best to cope with the financial crises. The measures include close negotiation with the ship-owners, take a more flexible attitude to prices and delivery, improve efficiency of shipbuilding and shortened the shipbuilding cycle, enhance the financial situation and to carry out cost measures.

Looking into the second half of 2009, the directors expected the Chinese shipbuilding industry to be recovered gradually. In July the new building transaction volume in China is 36 vessels or 1.87 million dwt, in total the month to month grow rates were 200% and 118% respectively. Facing the grim situation of shipbuilding market in the first half of the year, the Group has adjusted its strategy to intensify its effort on the special vessels markets. Based on statistics from ship-owners, the ship building price for the heavy lift vessels took a smaller hit during the financial crisis, and the demands for the medium size heavy lift vessel, one of the major type of the Group's products, are recovered healthily. It is expected that the demand for this type of vessels will over 40 in the coming five years. The Group is well-prepared to fight for the new orders in the coming months. Given the expected recovery of shipbuilding industry and strong order book, the Group expects the results of the second half of 2009 will improve.

The directors will carry out the securities trading business cautiously and adopt a prudence policy in securities investments. The metal trading business was suspended and is likely to be discontinued because the performance of this sector was poor during the past years.

The Directors will continue to reinforce the Group's financial position so that it would be fully prepared to seize suitable investment opportunities when they arise.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2009, the interests of the directors in the share capital of the Company or its associated corporations, as defined in Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Interest in ordinary shares of the company

Save as disclosed below, none of the directors or their associates had held any ordinary shares of the Company.

Name	Long/ Short position	Capacity	Number of ordinary shares held	Number of underlying share held	Approximate percentage of the issued shares held
Li Ming *(note 1)*	Long position	Beneficial owner	59,401,176	0	7.90%
	Long position	Interest of controlled Corporation	4,705,882 *(note 2)*	0	0.62%

Note 1: Mr. Li Ming has been appointed as a director of the Company on 3 February 2009.

Note 2: These shares are held by Lead Dragon Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is solely and beneficially owned by Mr. Li Ming.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Con't)*

(ii) Rights to acquire shares in the company

At 30 June 2009, the directors of the Company had interests in share options to subscribe for shares in the Company granted as follows:

Name of Director	Company / name of associated corporation	Nature of interest	Number of ordinary shares
Chau On Ta Yuen	Company	Personal interest *(Note 1)*	3,000,000
Zhang Shi Hong	Company	Personal interest *(Note 1)*	1,000,000
Wang San Long	Company	Personal interest *(Note 2)*	2,600,000

Notes:

1. Such number of Shares represents the underlying shares of the options granted on 5 March 2008 under the share option scheme of the Company adopted on 27 May 2002 ("2002 Scheme").

2. Such number of Shares represents the underlying shares of the options granted on 7 May 2008 under the 2002 Scheme.

Save as disclosed in this report, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted on 27 May 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 26 May 2012. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

At 30 June 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 34,380,000, representing 4.57% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

SHARE OPTION SCHEME *(Con't)*

The following share options were outstanding under 2002 scheme during the period commencing from 1 January 2009 to 30 June 2009:—

Name or Category of Participant	As at l January 2009	As at 30 June 2009 *(Note 1)*	Exercise Price *(Note 2)*	Date of Grant	Exercise Period
Directors :					
Chau On Ta Yuen	60,000,000	1,200,000	9.00	05-03-08	05-03-08 to 04-03-18
	45,000,000	900,000	9.00	05-03-08	05-03-08 to 04-03-18
	45,000,000	900,000	9.00	05-03-08	05-03-08 to 04-03-18
Zhang Shi Hong	20,000,000	400,000	9.00	05-03-08	05-03-08 to 04-03-18
	15,000,000	300,000	9.00	05-03-08	05-03-08 to 04-03-18
	15,000,000	300,000	9.00	05-03-08	05-03-08 to 04-03-18
Wang San Long	52,000,000	1,040,000	7.15	07-05-08	07-05-08 to 06-05-18
	39,000,000	780,000	7.15	07-05-08	07-05-08 to 06-05-18
	39,000,000	780,000	7.15	07-05-08	07-05-08 to 06-05-18
Sub-total	330,000,000	6,600,000			
Employees :	69,600,000	1,392,000	7.15	07-05-08	07-05-08 to 06-05-18
	52,200,000	1,044,000	7.15	07-05-08	07-05-08 to 06-05-18
	52,200,000	1,044,000	7.15	07-05-08	07-05-08 to 06-05-18
Sub-total	174,000,000	3,480,000			
Other participants:	1,215,000,000	24,300,000	7.15	07-05-08	07-05-08 to 06-05-18
Total :	1,719,000,000	34,380,000			

No share option was granted, exercised, cancelled or lapsed during the six months ended 30 June 2009.

Notes:

1. The number of outstanding share options has been adjusted to take into account the effect of the share consolidation upon its effective 25 June2009.

2. The initial exercise prices of the shares options granted on 5 March 2008 and 7 May 2008 are HK$0.180 and HK$0.143 respectively, upon the share consolidation became effective 25 June 2009, the exercise prices of shares options were adjusted to HK$9.00 and HK$7.15 respectively.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the guarantee contracts disclosed in note 20 (Related party transactions) to the accounts, no contract of significance to which the Company or its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, no persons, not being a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register (the "Register") maintained by the Company pursuant to Section 336 of the SFO. Other than as disclosed above, the Company has not been notified of any other interest or short positions in the shares and underlying shares of the Company as at 30 June 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2009.

CORPORATE GOVERNANCE

The Company has complied with most of the code provisions ("Code Provision") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") except for the deviation from Code Provision A.2.1. as the roles of the Chairman and Chief Executive Officer are not separated. On 3 February 2009, Mr. Li Ming has been appointed as the CEO of the Company. Accordingly, such deviation was remedy.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company as at the date of report comprise Mr. Hu Bai He, Ms. Xiang Si Ying, Mr. Zhang Xi Ping and Ms. Xiang Xing, all being independent non-executive directors. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 have been reviewed by the audit committee of the Company.

BOARD OF DIRECTORS

The Board of the Company as at the date of report comprise Mr. Chau On Ta Yuen, Mr. Li Ming, Mr. Zhang Shi Hong and Mr. Wang San Long as executive directors, Mr. Hu Bai He, Ms. Xiang Si Ying, Mr. Zhang Xi Ping and Ms. Xiang Ying as independent non-executive directors.

By order of the Board
Chau On Ta Yuen
Chairman

Hong Kong, 18 September 2009