

**Wonderful  
World  
Holdings  
Limited**

榮德豐控股有限公司\*

(Incorporated in Bermuda  
with limited liability)

**WONDERFUL  
— — — — —  
WORLD**

2003

**Interim Report**

\* for identification purposes only

## UNAUDITED CONSOLIDATED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Wonderful World Holdings Limited (formerly known as Digital World Holdings Limited) (the "Company") is pleased to announce the unaudited consolidated interim financial statements of the Company and the subsidiaries (the "Group") for the six months ended 31st December, 2003 (the "Period") together with the comparative figures. The consolidated interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the six months ended 31st December,	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover	3	3,107	22,762
Cost of sales		(6,396)	(19,542)
Gross (loss)/profit		(3,289)	3,220
Reversal of impairment loss on investment securities		1,000	–
Other operating income		200	334
Unrealized holding gain on other investments		18,535	–
Administrative expenses		(10,322)	(14,495)
Impairment loss on investment securities		(10,590)	(3,400)
Allowance for short-term loans receivable		(16,531)	(19,000)
Allowance for trade and other receivables		(29,450)	(2,014)
Loss on disposal of other investments		–	(5,777)
Loss from operations	4	(50,447)	(41,132)
Finance costs		(262)	(129)
Share of loss of an associate		–	(426)
Gain on disposal of subsidiaries		4,445	–
Loss before minority interests		(46,264)	(41,687)
Minority interests		376	–
Loss for the period		(45,888)	(41,687)
Loss per share – Basic	7	(32) cents	(40) cents

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the six months ended 31st December, 2003 (unaudited)

	Issued capital HK\$'000	Share premium HK\$'000	Goodwill HK\$'000	Special reserve HK\$'000	Distributable reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st July, 2003								
- as originally stated	1,416	357,793	-	847	39,387	(11)	(300,887)	98,545
- prior year adjustments (Note 10)	-	-	-	-	-	-	20,020	20,020
	1,416	357,793	-	847	39,387	(11)	(280,867)	118,565
Loss for the period	-	-	-	-	-	-	(45,888)	(45,888)
<b>At 31st December, 2003</b>	<b>1,416</b>	<b>357,793</b>	<b>-</b>	<b>847</b>	<b>39,387</b>	<b>(11)</b>	<b>(326,755)</b>	<b>72,677</b>

### For the six months ended 31st December, 2002 (unaudited)

	Issued capital HK\$'000	Share premium HK\$'000	Goodwill HK\$'000	Special reserve HK\$'000	Distributable reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st July, 2002	79,043	351,526	(10,299)	847	39,387	17	(214,058)	246,463
Issue of shares	428	6,469	-	-	-	-	-	6,897
Share issue expenses	-	(202)	-	-	-	-	-	(202)
Credit arising on reduction of share capital	(78,055)	-	-	-	-	-	78,055	-
Exchange difference arising from translation of operations outside Hong Kong and net gain not recognised in the income statement	-	-	-	-	-	110	-	110
Loss for the period	-	-	-	-	-	-	(41,687)	(41,687)
<b>At 31st December, 2002</b>	<b>1,416</b>	<b>357,793</b>	<b>(10,299)</b>	<b>847</b>	<b>39,387</b>	<b>127</b>	<b>(177,690)</b>	<b>211,581</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

		At 31st December, 2003 (Unaudited) HK\$'000	At 30th June, 2003 (As restated) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	481	1,931
Investments in securities		12,401	21,991
		<b>12,882</b>	23,922
<b>CURRENT ASSETS</b>			
Inventories		–	191
Trade and other receivables	9	2,932	32,985
Short-term loans receivable		6,038	26,886
Investments in securities	10	62,385	43,881
Pledge bank deposits		–	90
Bank balances and cash		782	2,783
		<b>72,137</b>	106,816
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	12,115	9,560
Amounts due to directors		–	445
Taxation payable		130	130
Unsecured bank and other loans		–	1,528
Obligations under finance leases – due within one year		7	37
		<b>12,252</b>	11,700
<b>NET CURRENT ASSETS</b>		<b>59,885</b>	95,116
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>72,767</b>	119,038
Share capital	12	1,416	1,416
Reserves		71,261	117,149
		<b>72,677</b>	118,565
Minority interests		90	463
		<b>72,767</b>	119,028
<b>NON-CURRENT LIABILITY</b>			
Obligations under finance leases – due after one year		–	10
		<b>72,767</b>	119,038

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31st December,	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Net cash used in operating activities	<b>(4,057)</b>	(8,258)
Net cash from/(used in) investing activities	<b>4,302</b>	(501)
Net cash (used in)/from financing activities	<b>(2,246)</b>	6,115
Net decrease in cash and cash equivalents	<b>(2,001)</b>	(2,644)
Cash and cash equivalents at beginning of the period	<b>2,783</b>	12,284
Cash and cash equivalents at end of the period	<b>782</b>	9,640

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 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 (the "Stock Exchange") and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the 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 30th June, 2003, except for the adoption of SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of this standard has had no material effect on the results for the current or prior accounting periods.

## 3. TURNOVER AND SEGMENT INFORMATION

For management purposes, the Group's operations are organized into six operating divisions namely distribution and trading, provision of website, advertising and design services, provision of travelling agency services, investment and financial services, provision of entertainment services and provision of telecommunications services. These divisions are the basis on which the Group reports its primary segment information. The businesses of provision of entertainment services and provision of telecommunications services were disposed of during the Period.







### 3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

Segment information about these businesses is presented below:

#### By geographical segments

	Turnover		Contribution to gain/(loss) from operations	
	Six months ended		Six months ended	
	31st December,		31st December,	
	2003	2002	2003	2002
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Hong Kong	<b>3,107</b>	22,293	<b>(41,449)</b>	(36,392)
PRC	-	93	-	(1,357)
Taiwan	-	376	-	(954)
	<b>3,107</b>	22,762	<b>(41,449)</b>	(38,703)
Unallocated corporate expenses			<b>(8,998)</b>	(2,429)
Loss from operations			<b>(50,447)</b>	(41,132)

### 4. LOSS FROM OPERATIONS

	For the six months ended 31st December,	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from operations has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
– Owned assets	<b>17</b>	2,105
– Assets held under finance leases	<b>3</b>	11
Amortization of intangible assets (included in administrative expenses)	-	1,000
Loss on disposal of property, plant and equipment	<b>1,117</b>	5

## 5. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the Period.

## 6. DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 31st December, 2003 (2002: nil).

## 7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the Period of approximately HK\$45,888,000 (2002: HK\$41,687,000) and on 141,600,000 (2002: weighted average number of 103,417,683 ordinary shares in issue adjusted for the effect of the Company's consolidation of shares on 9th September, 2002) ordinary shares in issue during the Period.

Diluted loss per share for the period ended 31st December, 2003 and 31st December, 2002 has not been calculated as no potential ordinary shares were outstanding during both periods.

## 8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group spent HK\$451,000 (2002: HK\$336,000) on additions to property, plant and equipment.

## 9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 150 days to its trade customers.

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

	<b>31st December, 2003 (Unaudited) HK\$'000</b>	30th June, 2003 (Audited) HK\$'000
0-1 month	-	872
Over 3 months	-	775
	-	1,647

## 10. INVESTMENT IN SECURITIES

Certain other investments were incorrectly recorded at cost at 30th June, 2003 as a result of mistakes in applying SSAP 24 "Accounting for Investments in Securities" to measure other investments at fair value and unrealized holding gain on investments in securities of approximately HK\$20,020,000 has not been recognized in the income statement for the year ended 30th June, 2003. The correction of errors has resulted in a decrease in accumulated losses at 30th June, 2003 of approximately HK\$20,020,000 and it has no effect to the loss for the six months ended 31st December, 2002.

## 11. TRADE AND OTHER PAYABLES

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

	<b>31st December, 2003 (Unaudited) HK\$'000</b>	30th June, 2003 (Audited) HK\$'000
0-1 month	-	1,683
1-3 months	-	380
Over 3 months	<b>1,095</b>	95
	<b>1,095</b>	2,158

## 12. SHARE CAPITAL

	<b>31st December, 2003 (Unaudited) HK\$'000</b>	30th June, 2003 (Audited) HK\$'000
<b>Authorized:</b>		
20,000,000,000 (30th June, 2003: 20,000,000,000) ordinary shares of HK\$0.01 each	<b>200,000</b>	200,000
<b>Issued and fully paid:</b>		
141,600,000 (30th June, 2003: 141,600,000) ordinary shares of HK\$0.01 each	<b>1,416</b>	1,416

### 13. DISPOSAL OF SUBSIDIARIES

In December 2003, the Group disposed of certain subsidiaries which are principally engaged in the provision of entertainment services and provision of telecommunications services.

The results of the disposed subsidiaries for the period from 1st July, 2003 to the date of disposal which have been included in the condensed consolidated financial statements, were as follows:

	1st July, 2003 to 8th December, 2003 (Unaudited) <i>HK\$'000</i>	1st July, 2002 to 31st December, 2002 (Unaudited) <i>HK\$'000</i>
Turnover	2,984	8,105
Segment results	(5,334)	(4,110)
Finance costs	(3)	(118)
Loss for the period	(5,337)	(4,228)

The net liabilities disposed of were as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	491
Trade and other receivables	880
Bank balances and cash	5
Trade and other payables	(5,738)
Obligations under finance leases	(29)
Bank overdraft	(37)
Minority interests	3
Net liabilities	(4,425)
Gain on disposal of subsidiaries	4,445
	20
Satisfied by:	
Cash received	20

### 13. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:

	<i>HK\$'000</i>
Cash consideration received	20
Bank balances and cash disposed of	(5)
Bank overdraft disposed of	37
Net inflow of cash and cash equivalents in connection with the disposal of subsidiaries	<b>52</b>

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

### 14. CONTINGENT LIABILITIES

On 10th November, 2000, the Company was named as a defendant in a legal action in which a claim was made against the Company for failure to pay, as the guarantor, an amount of approximately HK\$5,996,000 and interest thereon. The Directors, after seeking legal advice, are of the opinion that the eventual resolution of the legal action is unlikely to result in payment by the Group and no provision for any potential liability is required in the financial statements.

In addition, the Group gave in previous year a corporate guarantee to an independent third party amounted to approximately HK\$2,500,000 to secure a loan facility to Digital Nunet Exchange Limited, a former subsidiary.

## 15. COMMITMENTS

Commitments under operating leases

As at 31st December, 2003, the Group had commitments for future minimum lease payments under non-cancellable operating lease in respect of rented premises, which fall due as follows:

	<b>31st December, 2003 (Unaudited) HK\$'000</b>	30th June, 2002 (Audited) HK\$'000
Within one year	<b>506</b>	575
In second to fifth year inclusive	<b>439</b>	296
	<b>945</b>	871

There were no material capital commitments for property, plant and equipment as at 31st December, 2003.

## 16. POST BALANCE SHEET EVENTS

Subsequent to 31st December, 2003, the Company raised approximately HK\$33,380,000 after expenses, by way of an open offer of 283,200,000 shares of HK\$0.01 each in the Company in the proportion of two offer shares for every one existing share then held at an issue price of HK\$0.12 per offer share. Details of this transaction are contained in a prospectus issued by the Company dated 18th February, 2004.

## 17. APPROVAL OF THE INTERIM REPORT

These interim financial statements were approved and authorized for issue by the Board on 18th March, 2004.

## MANAGEMENT DISCUSSION AND ANALYSIS

### General

Upon the completion of the unconditional cash offer to acquire all the issued shares of the Company by Sun Hung Kai International Limited on behalf of Winning Concept Investments Limited (“Winning Concept”) on 17th October, 2003, the new management stepped in and tookover the management of the Group.

### Financial Review

For the six months ended 31st December, 2003, the turnover of the Group was approximately HK\$3.11 million, representing a decrease of 86.35% as compared with the corresponding period last year.

The loss attributable to shareholders of the Group for the six months ended 31st December, 2003 increased by approximately HK\$4.2 million (or approximately 10.08%) to approximately HK\$45.89 million as compared with the corresponding period last year. The further increase of loss was mainly due to impairment loss on investment securities and provisions for short-term loans receivables, together with trade and other receivables.

### Review of Operation

During the period under review, the residual impacts of SARS continued to adversely affect the business of the Group and a “prudent” approach was adopted in running the business of the Group. Hence, no or limited turnover was recorded for all lines of business of the Group, including (1) distribution and trading; (2) provision of website; advertising and design services; (3) provision of travelling agency services; (4) investment and financial services; (5) provision of entertainment services; and (6) provision of telecommunications services.

As part of the business rationalization by the new management, loss-making companies had been disposed of to avoid further losses. These companies mainly engaged in the provision of entertainment services and provision of telecommunications services.

As the new management gradually pitched in the daily business of the Group after takeover, it was discovered that certain records of the Group could not be located. The old management of the Group before takeover had been contacted to locate the said records. The new management has sought legal advice to protect the Group’s legal rights and will take further legal actions in pursue of the matter.

## Future Prospects

The new management has endeavoured to implement cost reduction plans and to continuously rationalize the existing businesses by centralizing operations, controlling the daily operating expenses and getting rid of unprofitable businesses. The current three main business areas include (i) distribution and trading primarily of electrical consumer products, computer related products and electronic components; (ii) provision of website, advertising and design services; and (iii) investment and financial services.

With the gradual recovery of the local economic climate and the booming PRC economy, in particular, after the announcement of the Closer Economic Partnership Arrangement, the Group believes that it would simulate a strong demand for short to medium term funds. Hence the Directors consider that promoting the Group's money lending business, one of the core businesses of the Group, would generate reliable and substantial income.

The Group has recently completed an open offer and net proceeds of approximately HK\$33.38 million have been received. The proceeds will be used as general working capital of the Group and investment funding for expanding the Group's business when opportunities arise. As the current market is animated by the Closer Economic Partnership Arrangement that would stimulate high volume of business activities and hence leading to strong demand for short to medium term funds, the Group will preliminarily consider to promote the Group's money lending businesses and would consider to allocate HK\$25 million to HK\$28 million to this line of business.

The Group will also explore opportunities of re-establishing the businesses on the provision of entertainment services and provision of telecommunications services when opportunities arise.

## Liquidity and Financial Resources

The Group maintains its adequate financial position with cash and cash equivalents of approximately HK\$0.78 million (30th June, 2003: HK\$2.78 million). With the exception of the loan from a securities firm of HK\$0.5 million and an unsecured advance from Winning Concept, a substantial shareholder of the Company, of approximately HK\$1.56 million, the Group is basically debt-free and at a net cash position.

As at 31st December, 2003, the Group had a net current assets of approximately HK\$59.89 million (30th June, 2003: HK\$95.12 million). The shareholders' equity was of approximately HK\$72.77 million (30th June, 2003: HK\$ 119.04 million) and the outstanding bank loan and other borrowings was only of approximately HK\$2.06 million (30th June, 2003: HK\$1.5 million), and accordingly the gearing ratio was only 0.028 (30th June, 2003: 0.013).



## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31st December, 2003.

## DISCLOSURE OF INTERESTS

### (i) Directors

As 31st December, 2003, the interests or short positions of each director and the chief executive in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) were required to pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required to pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Ordinary shares of the Company

<b>Directors</b>	<b>Nature of interest</b>	<b>Number of ordinary shares</b>	<b>Approximate percentage</b>
Mr. Liu Ka Lim ("Mr. Liu") <i>(Note)</i>	Corporate	72,696,876	51.34%
Ms. Ada Lam ("Ms. Lam") <i>(Note)</i>	Corporate	72,696,876	51.34%
Mr. Yeung Wood Sang	Personal	2,556,963	1.81%

*Note:* The shares are held by Winning Concept, the share capital of which is beneficially owned as to 89% by Ms. Lam and as to 11% by Mr. Liu.

Saved as disclosed above, none of the directors and the chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Code for Securities Transactions by the directors adopted by the Company to be notified to the Company and the Stock Exchange.

## (ii) Substantial Shareholder

At 31st December, 2003, so far as is known to the Directors, the following parties, had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under the provision of the Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Number of ordinary shares	Approximate percentage
Winning Concept ( <i>Note</i> )	72,696,876	51.34%

*Note:* Winning Concept is beneficially owned as to 89% by Ms. Lam and as to 11% by Mr. Liu.

Save as disclosed herein, no other person was directly or indirectly beneficially interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as at 31st December, 2003.

None of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.

## EMPLOYMENT AND REMUNERATION POLICIES

As at 31st December, 2003, the Group employed approximately 7 employees. The Directors of the Group reviewed remuneration policies regularly. The structure of the remuneration packages would take into account the level and composition of pay and the general market conditions in the respective countries and businesses.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Shares Option Scheme" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

The Company has a share option scheme to enable the directors of the Company to grant options to eligible employees, including executive directors, of the Company and its subsidiaries to subscribe for shares in the Company.

No share options were granted during the Period and there are no share options outstanding as at 31st December, 2003.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 31st December, 2003.

## AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee comprises two independent non-executive Directors of the Company. The primary duties of the Audit Committee are to review the Company's annual and interim results and to review and supervise the Company's financial reporting and internal control procedures.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters, including review of the unaudited interim financial statements of the Group for the Period.

## CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout six months ended 31st December, 2003.

By order of the board  
**WONDERFUL WORLD HOLDINGS LIMITED**  
**(Formerly known as**  
**DIGITAL WORLD HOLDINGS LIMITED)**  
**Liu Ka Lim**  
*Chairman*

Hong Kong, 18th March, 2004