



**WONDERFUL
— WORLD**

**Wonderful
World
Holdings
Limited**

榮德豐控股有限公司*

(Incorporated in Bermuda with limited liability)

Interim Report 2004/2005



* for identification purposes only

UNAUDITED CONSOLIDATED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Wonderful 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, 2004 (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,	
		2004 (Unaudited) HK\$'000	2003 (Unaudited and as restated) HK\$'000
Turnover	4	11,983	3,107
Cost of sales		(11,207)	(6,396)
Gross profit/(loss)		776	(3,289)
Reversal of impairment loss on investment securities		–	1,000
Other operating income		30	200
(Reverse)/provision of unrealized holding gain on other investments		(4,600)	18,535
Administrative expenses		(3,960)	(10,322)
Impairment loss on investment securities		(16,898)	(10,590)
Allowance for short-term loans receivable		(5,226)	(16,531)
Allowance for trade and other receivables		–	(29,450)
Loss from operations	5	(29,878)	(50,447)
Finance costs		(454)	(262)
Amortization of goodwill on acquisition of an associate		(3,110)	(3,732)
Share of results of an associate		1,963	4,862
Gain on disposal of subsidiaries		–	4,445
Loss before minority interests		(31,479)	(45,134)
Minority interests		–	376
Loss for the period		(31,479)	(44,758)
Loss per share – Basic	7	(HK\$0.07)	(HK\$0.32)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2004 (unaudited)

	Issued capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Distributable reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st July, 2004	4,248	388,088	847	39,387	(5)	(363,752)	68,813
Loss for the period	-	-	-	-	-	(31,479)	(31,479)
At 31st December, 2004	4,248	388,088	847	39,387	(5)	(395,231)	37,334

For the six months ended 31st December, 2003 (unaudited and as restated)

	Issued capital HK\$'000	Share premium 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 adjustment on correction of errors on unrealized holding gain on other investments	-	-	-	-	-	20,020	20,020
- prior year adjustment on correction of errors on reversal of bad debts written off and amortization of goodwill	-	-	-	-	-	26,424	26,424
- as restated	1,416	357,793	847	39,387	(11)	(254,443)	144,989
Loss for the period							
- as originally stated	-	-	-	-	-	(45,888)	(45,888)
- prior period adjustments (Note 3)	-	-	-	-	-	1,130	1,130
At 31st December, 2003	1,416	357,793	847	39,387	(11)	(299,201)	100,231

CONDENSED CONSOLIDATED BALANCE SHEET

		At 31st December, 2004 (Unaudited) <i>HK\$'000</i>	At 30th June, 2004 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	8	314	437
Interest in associates		–	26,943
Investments in securities	9	3,776	2,919
		4,090	30,299
CURRENT ASSETS			
Trade and other receivables	10	3,333	1,390
Short-term loans receivable	11	6,000	10,927
Investments in securities	9	35,633	37,608
Bank balances and cash		5,160	6,822
		50,126	56,747
CURRENT LIABILITIES			
Trade and other payables	12	16,752	18,100
Taxation payable		130	130
Obligations under finance leases – due within one year		–	3
		16,882	18,233
NET CURRENT ASSETS		33,244	38,514
TOTAL ASSETS LESS CURRENT LIABILITIES		37,334	68,813
CAPITAL AND RESERVES			
Share capital	13	4,248	4,248
Reserves		33,086	64,565
		37,334	68,813

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31st December,	
	2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited and as restated) <i>HK\$'000</i>
Net cash used in operating activities	(11,274)	(4,057)
Net cash from investing activities	9,966	4,302
Net cash used in financing activities	(354)	(2,246)
Net decrease in cash and cash equivalents	(1,662)	(2,001)
Cash and cash equivalents at beginning of the period	6,822	2,783
Cash and cash equivalents at end of the period	5,160	782

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 (the "Listing Rules") 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 Institute of Certified Public 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, 2004.

3. LAST YEAR COMPARATIVES

Last year comparative figures have been restated in response to a prior year adjustment made in the statutory audit of the Company for the year ended 30th June, 2004.

The prior year adjustment involved an associate which was acquired by converting a loan receivable during the year ended 30th June, 2003. Instead of this associate being equity accounted for in accordance with SSAP 10 "Accounting for Investments in Associates" for the year ended 30th June, 2003, it was incorrectly accounted for as an investment security at 30th June, 2003. The correction of this error has resulted in a net decrease in loss after taxation and minority interests for the 6 months period ended 31st December, 2003 of HK\$1,130,000, including the share of results of the associate of HK\$4,862,000 and the amortization of goodwill of HK\$3,732,000 for that period.

4. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

By geographical segment

	Turnover		Contribution to gain/(loss) from operations	
	Six months ended 31st December, 2004	2003	Six months ended 31st December, 2004	2003
	(Unaudited) HK\$'000	(Unaudited and as restated) HK\$'000	(Unaudited) HK\$'000	(Unaudited and as restated) HK\$'000
Hong Kong	11,983	3,107	(26,068)	(41,449)
	11,983	3,107		
Unallocated corporate expenses			(3,810)	(8,998)
Loss from operations			(29,878)	(50,447)

5. LOSS FROM OPERATIONS

	For the six months ended 31st December, 2004	
	(Unaudited) HK\$'000	2003 (Unaudited and as restated) HK\$'000
Loss from operations has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment		
– Owned assets	130	17
– Assets held under finance leases	1	3
Loss on disposal of property, plant and equipment	–	1,117

6. 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.

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\$31,479,000 (2003 as restated: HK\$44,758,000) and on 424,800,000 (2003: 141,600,000) ordinary shares in issue during the Period.

Diluted loss per share for the periods ended 31st December, 2004 and 31st December, 2003 have 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\$7,600 (2003: HK\$451,000) on additions to property, plant and equipment.

9. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	31 December, 2004 (Unaudited) HK\$'000	30 June, 2004 (Audited) HK\$'000	31 December, 2004 (Unaudited) HK\$'000	30 June, 2004 (Audited) HK\$'000	31 December, 2004 (Unaudited) HK\$'000	30 June, 2004 (Audited) HK\$'000
Listed equity securities in Hong Kong	1,766	2,919	35,633	37,608	37,399	40,527
Unlisted equity securities in Hong Kong	2,010	-	-	-	2,010	-
	3,776	2,919	35,633	37,608	39,409	40,527
Market value of listed securities	1,766	5,323	35,633	37,608	37,399	42,931
Carrying amount analyzed for reporting purposes as:						
Non-current	3,776	2,919	-	-	3,776	2,919
Current	-	-	35,633	37,608	35,633	37,608
	3,776	2,919	35,633	37,608	39,409	40,527

9. INVESTMENTS IN SECURITIES (CONTINUED)

Details of individual investment with carrying amount exceeds one-tenth of the Group's total asset value disclosed pursuant of Section 129(2) of the Hong Kong Companies Ordinance are as follows:

Name of investee company	Place of incorporation	Class of shares held	Attributable equity interest
Rontex International Holdings Limited	Cayman Islands	Ordinary shares	5.78%
Grandtop International Holdings Limited	Cayman Islands	Ordinary shares	5.43%

During the period, the directors of the Company have reviewed the carrying amount of the investment securities in light of the current market condition with reference to the financial results and business operated by certain investees. The directors have identified an impairment loss of approximately HK\$16,898,000 (2003: HK\$10,590,000) on the investment securities, estimated by reference to the market value, and the amount has been recognized in the income statement accordingly.

10. TRADE AND OTHER RECEIVABLES

As at 31st December, 2004, there were no outstanding trade receivables after allowance for trade receivables (30th June, 2004: nil) and thus aging analysis is not applicable.

11. SHORT-TERM LOANS RECEIVABLE

As at 31st December, 2004, the loans were:

	31st December, 2004 (Unaudited) HK\$'000	30th June, 2004 (Audited) HK\$'000
Not yet due	5,000	10,000
Overdue	54,983	50,013
Accrued interest receivable	1,226	927
	61,209	60,940
Allowance	(55,209)	(50,013)
	6,000	10,927

The loans were made in general for a period from one to eighteen months, but may be extended on mutual agreement. These loans carry interest ranging from 5% to 27% per annum.

12. TRADE AND OTHER PAYABLES

As at 31st December, 2004, there were no outstanding trade payables (30th June, 2004: nil) and thus aging analysis is not applicable.

As at 31st December, 2004, the balance of the margin account in a securities company, carrying interest at prevailing market rate, of approximately HK\$5,943,000 (30th June, 2004: HK\$7,488,000) was included in trade and other payables.

13. SHARE CAPITAL

	31st December, 2004 (Unaudited) HK\$'000	30th June, 2004 (Audited) HK\$'000
Authorized:		
20,000,000,000 (30th June, 2004: 20,000,000,000) ordinary shares of HK\$0.01 each	200,000	200,000
Issued and fully paid:		
424,800,000 (30th June, 2004: 424,800,000) ordinary shares of HK\$0.01 each	4,248	4,248

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. In January 2003, the Company's lawyers had sought discovery of the original copies of the relevant documents from the plaintiff and yet the plaintiff had failed to respond or furnish any of the requested documents. The plaintiff had since then not taken any further steps to activate the proceedings which had then become dormant for over a year. In July 2004, the Company was informed by the plaintiff of its decision of re-activating the proceedings. After seeking legal advice in July 2004, a provision of HK\$5,996,000 for potential liability had already been made in last year.

15. COMMITMENTS

Commitments under operating leases

As at 31st December, 2004, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	31st December, 2004 (Unaudited) HK\$'000	30th June, 2004 (Audited) HK\$'000
Within one year	322	367
In second to fifth year inclusive	-	169
	322	536

There were no material capital commitments for property, plant and equipment as at 31st December, 2004.

16. APPROVAL OF THE INTERIM REPORT

These interim financial statements were approved and authorized for issue by the Board on 10th March, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months period ended 31st December, 2004, the turnover of the Group rose by approximately HK\$8.87 million to approximately HK\$11.98 million (2003: HK\$3.11 million), representing an increase of 285% as compared with the corresponding period last year. An increase in turnover generated from the Group's investment and financial services was the main contributor to the increase.

The loss attributable to shareholders of the Group for the period under review dropped by approximately HK\$13.28 million to approximately HK\$31.48 million (2003 as restated: HK\$44.76 million), representing a decrease of 29.7% as compared with the corresponding period last year. The reduction of loss was a combined net effect of decreased operating expenses, decrease in provision for short-term loans and other receivables, and yet no more unrealized holding gain on other investment and increased impairment loss on investment securities for the period under review.

Review of Operation

During the period under review, the Group strove to achieve a gross profit of HK\$0.77 million (2003: gross loss HK\$3.29 million). The beneficial effects of cost control measures taken had gradually been reflected, which marked a great reduction of administrative expenses by HK\$6.36 million to HK\$3.96 million (2003: HK\$10.32 million), representing a decrease of 61.6%.

Business rationalization strategies continued to guide the Group's operation direction and resources allocation. In view of the favourable financial market sentiment in Hong Kong in the second half of 2004, the Group had expanded its business activities in investment and financial services as planned, while a prudent approach was taken in operating other core business segments, for the sake of stiff competitions encountered. Hence, no turnover was recorded for these other core business segments, namely, (1) distribution and trading; (2) provision of website, advertising and design services; (3) provision of travelling agency services; (4) provision of entertainment services; and (5) provision of telecommunications services.

Future Prospects

The Group will be actively seeking business opportunities in these other core business segments to diversify its income sources. Extra caution will be taken in screening and evaluating new projects in order to limit the Group's financial risks.

The Group in February 2005 entered into a distribution agreement to trade lubricant oil and related products sourced from America. Potential major customers are being pursued from the PRC, and the Group is now in the process of developing its marketing network in both the PRC and Hong Kong.

Investment and financial services will continue to be the prime contributor of the Group.

Business rationalization will be continued and the Group will consider to dispose of loss making companies to further strengthen its financial position and to mitigate potential financial risks. As part of this rationalization process, the Group will not preclude the possibilities of gradual reduction of its portfolio of share investments, depending on, among other factors, the selling prices of the investments. It is the intention of the Group to enhance its cash position to prepare the Group to seek new business opportunities in a timely manner in the near future.

Belt-tightening will be the Group's routine exercise in the years to come and operating expenses will be kept lean and mean to enhance the cost-competitiveness of the Group.

Liquidity and Financial Resources

The Group maintains its adequate financial position with cash and cash equivalents of approximately HK\$5.16 million (30th June, 2004: HK\$6.82 million). The Group is basically debt-free and at a net cash position.

As at 31st December, 2004, the Group had a net current assets of approximately HK\$33.24 million (30th June, 2004: HK\$38.51 million). The shareholders' equity was approximately HK\$37.33 million (30th June, 2004: HK\$ 68.81 million) and there is no outstanding bank loan and other borrowings.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31st December, 2004 (2003: nil).

FOREIGN EXCHANGE EXPOSURE

The Group's monetary assets and liabilities were primarily denominated in Hong Kong dollars and thus the Group would not have significant exposures to material fluctuations in exchange rates. As at 31st December 2004, the Group had no material exposures under foreign exchange contracts, interest, currency swaps or other financial derivatives.

DISCLOSURE OF INTERESTS

(i) Directors

As 31st December, 2004, 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

Directors	Nature of interest	Number of ordinary shares	Approximate percentage
Mr. Liu Ka Lim ("Mr. Liu") (Note)	Corporate	243,998,759	57.44%
Ms. Ada Lam ("Ms. Lam") (Note)	Corporate	243,998,759	57.44%
Mr. Yeung Wood Sang	Personal	13,070,889	3.08%

Note: The shares are held by Winning Concept Investments Limited ("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, 2004, 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>)	243,998,759	57.44%

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, 2004.

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2004, the Group employed 7 full time staff. Staff costs, excluding directors' emoluments were approximately HK\$286,000 (2003: HK\$1,786,000) for the six months ended 31st December, 2004. 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. Staff benefits, including medical insurance and mandatory provident funds are provided to employees where appropriate.

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, 2004.

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

Neither the Company nor any of its subsidiaries purchases, redeemed or sold any of the Company's listed securities during the six months ended 31st December, 2004.

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 the three 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 AND MODEL CODE

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 for the six months ended 31st December, 2004, in compliance with the Code of Best Practice set out by the Stock Exchange in Appendix 14 (before amendments) to the Listing Rules, except that the independent non-executive Directors of the Company were not appointed for a specific term but are subject to retirement by rotation according to the provisions of the Company's Bye-Laws.

As to the new Appendix 14 (Code on Corporate Governance Practices) of the Listing Rules, the Directors will adopt the principles set out therein.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 ("Model Code") to Listing Rules during the period under review. The Company has made specific enquiry with all directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 31st December, 2004.

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the six months ended 31st December, 2004.

APPRECIATION

On behalf of the Board, I would like to thank all of our customers, shareholders, suppliers and employees for their continued support.

On behalf of the Board

Liu Ka Lim

Chairman

Hong Kong, 10th March, 2005