



Wonson International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 651)

Interim Report
2006

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Wonson International Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006 together with the comparative figures for the corresponding period in 2005 as follow:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

		Six months ended 30 June	
	NOTES	2006	2005
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	5,760	7,377
Cost of sales		<u>(4,501)</u>	<u>(6,876)</u>
		1,259	501
Other income		1,628	87
Administrative expenses		(8,903)	(23,115)
Fair value changes on investments held for trading		(16,983)	(6,529)
Impairment loss on available-for-sale investment		(13,489)	—
Gain on disposal of a subsidiary	4	6,204	—
Share of losses of jointly controlled entities		(57)	(143)
Finance costs	5	<u>(2)</u>	<u>(1,338)</u>
Loss for the period	6	<u><u>(30,343)</u></u>	<u><u>(30,537)</u></u>
Loss per share - basic	8	<u><u>(HK5.71) cents</u></u>	<u><u>(HK35.44) cents</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2006

	<i>NOTES</i>	30 June 2006 HK\$'000 (Unaudited)	31 December 2005 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		161	184
Available-for-sale investment	10	—	13,489
Loan to an investee company	11	17,874	17,234
Interests in jointly controlled entities		—	6,010
		<hr/> 18,035 <hr/>	<hr/> 36,917 <hr/>
Current assets			
Inventories		1,144	1,691
Other receivables		1,297	2,164
Investments held for trading		135,526	86,658
Bank balances and cash		22,662	84,061
		<hr/> 160,629 <hr/>	<hr/> 174,574 <hr/>
Current liabilities			
Other payables		1,555	4,034
		<hr/> 159,074 <hr/>	<hr/> 170,540 <hr/>
Net current assets			
		177,109	207,457
Net assets			
		<hr/> 177,109 <hr/>	<hr/> 207,457 <hr/>
Capital and reserves			
Share capital	12	5,316	26,582
Reserves		171,793	180,875
		<hr/> 177,109 <hr/>	<hr/> 207,457 <hr/>
Total capital and reserves			
		<hr/> 177,109 <hr/>	<hr/> 207,457 <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	Attributable to equity holders of the Company								
	Share capital	Share premium	Contributed surplus	Translation reserve	Capital reserve	Share options reserve	Convertible note reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005	68,374	135,369	422,882	5	802	—	2,963	(591,183)	39,212
Recognition of expenses in relation to equity-settled share based payments	—	—	—	—	—	13,441	—	—	13,441
Issue of new shares	13,675	57,434	—	—	—	—	—	—	71,109
Issue upon exercise of share options	6,560	31,809	—	—	—	(13,441)	—	—	24,928
Expenses incurred in connection with issue of new shares	—	(1,836)	—	—	—	—	—	—	(1,836)
Loss for the period and total recognised expense	—	—	—	—	—	—	—	(30,537)	(30,537)
At 30 June 2005	88,609	222,776	422,882	5	802	—	2,963	(621,720)	116,317
Issue of new shares	886	7,974	—	—	—	—	—	—	8,860
Expenses incurred in connection with issue of new shares	—	(222)	—	—	—	—	—	—	(222)
Reduction of nominal amount in connection with consolidated shares	(84,179)	—	84,179	—	—	—	—	—	—
Rights issue of shares	21,266	85,063	—	—	—	—	—	—	106,329
Expenses incurred in connection with rights issue of shares	—	(2,658)	—	—	—	—	—	—	(2,658)
Loss for the period and total recognised expense	—	—	—	—	—	—	—	(21,169)	(21,169)
At 31 December 2005	26,582	312,933	507,061	5	802	—	2,963	(642,889)	207,457
Reduction of nominal amount in connection with consolidated shares	(21,266)	—	21,266	—	—	—	—	—	—
Realised upon disposal of a subsidiary	—	—	—	(5)	—	—	—	—	(5)
Transfer to accumulated losses from convertible note reserve	—	—	—	—	—	—	(2,963)	2,963	—
Loss for the period	—	—	—	—	—	—	—	(30,343)	(30,343)
At 30 June 2006	5,316	312,933	528,327	—	802	—	—	(670,269)	177,109

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	Six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>(73,551)</u>	<u>(28,865)</u>
Net cash from financing activities:		
Net proceeds from issue of share	—	69,273
Proceeds from exercise of share options	—	24,928
Loan to an investee company	—	(30,000)
Advance from jointly controlled entities	<u>12,152</u>	<u>—</u>
	<u>12,152</u>	<u>64,201</u>
Net (decrease) increase in cash and cash equivalents	(61,399)	35,336
Cash and cash equivalents at the beginning of the period	<u>84,061</u>	<u>10,116</u>
Cash and cash equivalents at the end of the period	<u><u>22,662</u></u>	<u><u>45,452</u></u>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	<u><u>22,662</u></u>	<u><u>45,452</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

1. BASIS OF PREPARATION

The 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 on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Revenue represents income from trading of goods and dividends arising from investments held for trading. Dividend income which was classified as other income in 2005 has been reclassified to conform with current period presentation.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2005 except as described below:

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“INTs”) (hereinafter collectively referred to as the “new HKFRSs”) issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies” ²
HK(IFRIC) - INT 8	Scope of HKFRS 2 ³
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three operating divisions - metals trading, sales of communication products and investments in securities. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Six months ended 30 June 2006			Total <i>HK\$ '000</i>
	Metals trading	Sales of communication products	Investments in securities	
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	
Revenue	<u>4,619</u>	—	<u>1,141</u>	<u>5,760</u>
Segment result	118	—	(15,842)	(15,724)
Interest income				1,628
Unallocated corporate expenses				(8,903)
Impairment loss on available-for-sale investment				(13,489)
Gain on disposal of a subsidiary				6,204
Share of losses of jointly controlled entities				(57)
Finance costs				(2)
Loss for the period				<u>(30,343)</u>

	Six months ended 30 June 2005			Total <i>HK\$ '000</i>
	Metals trading	Sales of communication products	Investments in securities	
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	
Revenue	<u>6,994</u>	<u>5</u>	<u>378</u>	<u>7,377</u>
Segment result	121	2	(6,151)	(6,028)
Interest income				87
Unallocated corporate expenses				(23,115)
Share of losses of jointly controlled entities				(143)
Finance costs				(1,338)
Loss for the period				<u>(30,537)</u>

4. DISPOSAL OF A SUBSIDIARY

On 30 June 2006, the Company disposed of a subsidiary, Winford Investments Limited which holds 50% equity interest in the jointly controlled entities of the Group, to an independent third party at a consideration of USD1.

The effect of the disposal is summarised as follows:

	<i>HK\$'000</i>
Net liabilities disposed of:	
Investments in jointly controlled entities	5,953
Amounts due to jointly controlled entities	(12,152)
	<hr/>
	(6,199)
Translation reserve attributable to the Group and released upon disposal	(5)
	<hr/>
	(6,204)
Gain on disposal of a subsidiary	6,204
	<hr/>
Cash consideration	—
	<hr/> <hr/>

5. FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on borrowings wholly repayable within five years:		
Convertible note payable	—	(1,338)
Other borrowings	(2)	—
	<hr/>	<hr/>
	(2)	(1,338)
	<hr/> <hr/>	<hr/> <hr/>

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging:		
Depreciation	23	286
and after crediting:		
Dividend income from investments held for trading	1,141	378
Interest on bank deposits	989	10
Imputed interest on loan to an investee company	639	77
	<u> </u>	<u> </u>

7. TAXATION

No provision for taxation has been made since the Group has no assessable profit for both periods.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period of HK\$30,343,000 (2005: Loss of HK\$30,537,000) and on the weighted average number of 531,645,319 ordinary shares in issue (2005: 86,164,908 ordinary shares in issue after adjusted for the effect of share consolidation which became effective on 6 March 2006 as disclosed in note 12).

There were no dilutive potential ordinary shares in existence for the current and prior period. Accordingly, no diluted loss per share is presented.

9. INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2006 (2005: nil).

10. AVAILABLE-FOR-SALE INVESTMENT

Details of available-for-sale investment are set out below:

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Unlisted equity security, at cost	13,489	13,489
Less: Impairment loss	(13,489)	—
	<u>—</u>	<u>13,489</u>

The unlisted investment represents approximately a 5.94% interest in the issued share capital of Found Macau Investments International Limited (“Found Macau”), an investment holding company incorporated in the British Virgin Islands. Found Macau was formed to invest in gaming, entertainment and related business in Macau through its subsidiaries. Included in the investment cost is a fair value adjustment of HK\$13,489,000 arising from an interest free loan advanced to Found Macau (see note 11).

At 30 June 2006, the directors of the Company reviewed the carrying value of the investment based on the expected recoverable amount. Accordingly, an impairment loss of HK\$13,489,000 was recognised.

11. LOAN TO AN INVESTEE COMPANY

The loan represents advance to Found Macau on 8 June 2005. It was made in proportion to the Group’s investment in Found Macau. The loan is unsecured, interest free and repayable on demand at the face value of HK\$30,000,000 after 8 years from 8 June 2005. It was measured at fair value at initial recognition and is subsequently carried at amortised cost using the effective interest method. The effective interest rate of the loan is 7%.

12. SHARE CAPITAL

	Number of shares (Unaudited)	Amount (Unaudited) HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each as at 1 January 2006 and 30 June 2006	<u>25,000,000,000</u>	<u>250,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each as at 1 January 2006	2,658,226,595	26,582
Share consolidation (<i>note</i>)	<u>(2,126,581,276)</u>	<u>(21,266)</u>
At 30 June 2006	<u>531,645,319</u>	<u>5,316</u>

Note:

Pursuant to a special resolution passed at the special general meeting on 3 March 2006:

- (i) every five shares of HK\$0.01 each in the issued ordinary share capital of the Company be and are hereby consolidated into one consolidated share of HK\$0.05 ("Consolidated Share"); and
- (ii) every issued Consolidated Share of the Company be and is hereby reduced in nominal amount by cancelling HK\$0.04 of the share capital paid up on each issued Consolidated Share from HK\$0.05 to HK0.01 each so as to form one share of HK\$0.01 each.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue for the first six months of the year 2006 decreased by approximately 22% to approximately HK\$5.7 million. The Group's metal trading business has been tough and profit margin was slim, it accounted for about HK\$4.6 million of revenue. Investments in securities yielded about HK\$1.1 million dividend income but fair value changes on investments held for trading recorded a loss of about HK\$16.9 million as the market has been quite volatile in the current period. Other income increased by approximately HK\$1.5 million because of the increase in interest income from bank deposits and loan to an investee company. Administrative expenses has dramatically decreased since no share options have been granted during the current period as opposed to the corresponding period last year. Available-for-sale investment basically represented fair value adjustment arising from the remeasurement at fair value of the loan advanced to Found Macau Investments International Limited in 2005. The Company reviewed its carrying value and had made impairment loss on it. During the current period, the Group has also disposed a subsidiary which invested in the Group's jointly controlled entities and recorded a gain of about HK\$6.2 million. Finance costs decreased as there was no expense related to convertible notes as opposed to the corresponding period last year. Overall, net loss for the first six months of 2006 decreased by approximately HK\$0.2 million to approximately HK\$30.3 million.

Looking forward, although the interest rate has stopped rising for the moment, we are still uncertain on its trend and there also have risks that the economy may be slowing down and thus the market for the rest of the year 2006 continues to be challenging. Although the securities market rebounded in recent months, the Group tends to remain cautious on the performance of its securities investment operation and also its trading business.

As at 30 June 2006, the Group had cash and bank balances of approximately HK\$22.7 million and investments held for trading at market value of approximately HK\$135.5 million. As at 30 June 2006, the Group had no loans or borrowings outstanding. The Group employed about twenty staff. Staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. In addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits. Total staff costs for the current period was around HK\$4.7 million. No share options have been granted during the current period, and as at 30 June 2006, no share options granted were outstanding. During the period, the unused net proceeds from the rights issue last year has been utilized for general working capital purposes for the Group including, among other things, securities trading operations.

On 19 January 2006, the Company announced the proposed reorganization of share capital of which included consolidation of shares of the Company on the basis of consolidating 5 shares into 1 consolidated share. Details of which have been disclosed in the Company announcement dated 19 January 2006 and circular dated 7 February 2006. The proposed reorganization of the share capital was approved by shareholders on 3 March 2006 and became effective on 6 March 2006.

CORPORATE GOVERNANCE

The Company has, during the six months ended 30 June 2006 met the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) except for the following deviations :

(a) Code provision A.2.1

The roles of chairman and chief executive officer are not separate. Mr. Chiu Kong, being the chairman and the chief executive, is primarily responsible for the leadership of the Board and overall management of the Company. The Company considers that currently vesting the roles of both Chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of business strategies.

(b) Code provision A.4.1

Although non-executive directors are subject to retirement by rotation at the Company’s annual general meeting as specified by the Company’s bye-laws, they are not appointed for a specific term. Thus the Company has deviated from Code Provision A.4.1. The Company is still in the process of setting and determining the term of appointment for each non-executive director as more time is needed before all details are determined.

(c) Code provision A.4.2

The Code requires every director should be subject to retirement by rotation at least once every three years. The Company had amended the bye-laws of the Company to comply with this Code provision at the annual general meeting of the Company on 30 June 2006.

(d) Code provision B.1.1

Code Provision B.1.1 requires setting up of the remuneration committee. The Company has deviated from the requirement and the remuneration committee has not been set up yet. The Company is still in the process of establishing a remuneration committee as more time is needed before all details including the composition and terms of reference are determined.

(e) Code provision E.1.2

The Code requires the chairman of the board to attend the annual general meeting of the Company. Mr. Chiu Kong did not attend the 2006 annual general meeting as he was not in Hong Kong on that day.

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

As at 30 June 2006, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Name of director	Type of interest	Number of shares
Mr. Chiu Kong	Personal	40,000
Mr. Hui Richard Rui	Personal	1,050,000

The interest stated above represented long positions in the shares of the Company as at 30 June 2006.

Except as disclosed above, as at 30 June 2006, none of the directors and chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required (a) to be recorded in the register required to be kept under Section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the following 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:

Name	Number of shares interested	Approximate Shareholding as at 30 June 2006
Unity Investments Holdings Limited	38,293,600	7.20%
Radford Capital Investment Limited	27,971,280	5.26%
Willie International Holdings Limited	34,163,360	6.43%

The interest stated above represented long positions in the shares of the Company as at 30 June 2006.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company as at 30 June 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding director’s securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period.

REVIEW BY AUDIT COMMITTEE

Having been reviewed by the Company’s Auditors, Deloitte Touche Tohmatsu, the 2006 interim report has been reviewed by audit committee which comprises three independent non-executive directors of the Company.

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

By order of the Board
Hui Richard Rui
Director

Hong Kong, 27 September 2006