



WONSON INTERNATIONAL HOLDINGS LIMITED

和成國際集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 651)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of directors (the “Board”) of Wonson International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 together with comparative figures as follows:-

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

	NOTES	Six months ended 30 June 2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Revenue	3	428,991	3,905
Cost of sales		<u>(392,302)</u>	<u>(3,396)</u>
		36,689	509
Other income		45,610	1,269
Fair value changes on investments held for trading		(14,351)	28,566
Fair value changes on disposal of available-for-sale investments		(1,025)	—
Distribution and selling expenses		(202)	—
Administrative expenses		(57,924)	(6,732)
Impairment loss on goodwill		(22,221)	—
Finance costs	4	<u>(81,201)</u>	<u>(1,411)</u>
(Loss) profit before taxation		(94,625)	22,201
Taxation	5	<u>(5,527)</u>	<u>—</u>
(Loss) profit for the period	6	<u>(100,152)</u>	<u>22,201</u>
(Loss) earnings per share - basic	7	<u>(HK0.57 cent)</u>	<u>HK0.32 cent</u>
Earnings per share - diluted	7	<u>N/A</u>	<u>HK0.26 cent</u>

**CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2008**

<i>NOTES</i>	30 June 2008 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2007 <i>HK\$'000</i> <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	842,881	1,133
Prepaid lease payment	348,683	—
Goodwill	910,428	—
Intangible asset	1,630,622	—
Available-for-sale investments	—	18,912
Conversion option embedded in convertible note	<u>—</u>	<u>2,631</u>
	<u>3,732,614</u>	<u>22,676</u>
Current assets		
Inventories	392,816	378
Prepayment for purchase of raw materials	754,642	—
Other receivables	208,888	4,979
Amounts due from customers for contract work	208	—
Loan receivables	—	48,364
Prepaid lease payment	850	—
Investments held for trading	90,004	231,351
Pledged bank deposits	262,058	3,000
Bank balances and cash	<u>205,672</u>	<u>81,796</u>
	<u>1,915,138</u>	<u>369,868</u>

<i>NOTES</i>	30 June 2008 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2007 <i>HK\$'000</i> <i>(Audited)</i>
Current liabilities		
Trade and other payables	250,270	4,952
Bills payable	255,874	—
Amounts due to customers for contract work	960,702	—
Margin loan payables	82,364	51,759
Bank borrowings	56,818	—
Provision for warranty	8,911	—
Convertible notes payable	<u>36,487</u>	<u>—</u>
	<u>1,651,426</u>	<u>56,711</u>
Net current assets	<u>263,712</u>	<u>313,157</u>
	<u>3,996,326</u>	<u>335,833</u>
Capital and reserves		
Share capital	17,786	17,198
Reserves	<u>973,428</u>	<u>272,410</u>
	<u>991,214</u>	<u>289,608</u>
Non-current liabilities		
Convertible notes payable	1,844,573	46,225
Deferred tax liabilities	773,095	—
Bank borrowings	227,273	—
Other long term payable	<u>160,171</u>	<u>—</u>
	<u>3,005,112</u>	<u>46,225</u>
	<u>3,996,326</u>	<u>335,833</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

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.

The functional currency of the Company was originally Hong Kong dollars. On 16 April 2008, the Company acquired INPAX Technology Limited and its subsidiary 江西江州聯合造船有限責任公司 (“江州聯合船廠”) (collectively the “INPAX Group”), both of which have Renminbi (“RMB”) as their functional currency. The directors are of the opinion that after the acquisition of INPAX Group, the primary economic environment in which the Company operates is the People’s Republic of China (the “PRC”), taking into consideration that the Company’s principal activity is holding of investments in subsidiaries. The directors have therefore determined that the functional currency of the Company is changed to RMB from 16 April 2008, being the date when INPAX Group was acquired.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007. In addition, as a result of the acquisition of business as detailed in note 1 above, the Group has applied the following significant accounting policies during the current interim period.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under Hong Kong Financial Reporting Standard (“HKFRS”) 3 *Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Business combination agreements with adjustments to the cost of combination based on contingent events are included in the cost of combination at the acquisition date if the adjustment is probable and can be measured reliably.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the condensed consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue represents income arising on construction contracts for the period.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

Prepaid lease payments

Prepaid lease payments are up-front payments to acquire leasehold land interests. The prepaid lease payments are stated at cost and are charged to the condensed consolidated income statement over the period of the lease on a straight line basis.

Construction in progress

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme/state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair values at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognized as expenses immediately, unless the goods or services qualify for recognition as assets.

In the current interim period, the Group has applied, for the first time, the following interpretations issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2008.

HK(IFRIC) - Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

Accounting standards not yet effective

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) - Int 13	Customer Loyalty Programmes ³
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group was originally organised into two operating divisions - metals trading and investments in securities before the acquisition of INPAX Group. A further operating division in ship building is added during the period after the acquisition. 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 2008			
	Ship building	Metals trading	Investments in securities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gross proceeds	<u>428,219</u>	<u>772</u>	<u>381,682</u>	<u>810,673</u>
Revenue	<u>428,219</u>	<u>772</u>	<u>—</u>	<u>428,991</u>
Segment result	<u>71,350</u>	<u>(44)</u>	<u>(15,376)</u>	55,930
Interest income				2,946
Unallocated corporate expenses				(13,945)
Share-based payment expenses				(36,134)
Finance costs				(81,201)
Impairment of goodwill				<u>(22,221)</u>
Loss before taxation				(94,625)
Taxation				<u>(5,527)</u>
Loss for the period				<u>(100,152)</u>

	Six months ended 30 June 2007		
	Metals trading	Investments in securities	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross proceeds	<u>3,905</u>	<u>99,205</u>	<u>103,110</u>
Revenue	<u>3,905</u>	<u>—</u>	<u>3,905</u>
Segment result	<u>387</u>	<u>28,566</u>	28,953
Interest income			990
Unallocated corporate expenses			(6,331)
Finance costs			<u>(1,411)</u>
Profit for the period			<u>22,201</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest on borrowings wholly repayable within five years:		
Bank borrowings	(2,348)	—
Bills payable	(6,824)	—
Convertible loan notes	(62,299)	(1,280)
Imputed interest expense on other long term payable	(5,533)	—
Margin loan payables	<u>(4,197)</u>	<u>(131)</u>
	<u>(81,201)</u>	<u>(1,411)</u>

The finance cost capitalised in construction in progress amounted to HK\$3,314,000 (2007: Nil), comprising interest on bank borrowings borrowed specifically for qualifying assets.

5. 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’s 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 江州聯合船廠 was the year ended 31 December 2007 and 江州聯合船廠 still enjoys full exemption for the current period.

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, 江州聯合船廠 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, starting from 1 January 2008, 10% withholding income tax will be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. A deferred tax of approximately HK\$5,527,000 has been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to such profits.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
(Loss) profit for the period has been arrived at after charging:		
Amortisation of intangible assets (included in cost of sales)	33,882	—
Depreciation of property, plant and equipment	15,154	78
Release of prepaid lease payments of leasehold land	2,147	—
Share-based payments (included in administrative expenses)	36,134	—
and after crediting:		
Dividend income from investments held for trading	2,385	—
Gain on disposal of property, plant and equipment	—	280
Interest income on loan and other receivables	855	383
Interest on bank deposits	2,091	607
Exchange gain	<u>40,109</u>	<u>—</u>

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<u>Earnings</u>		
(Loss) profit for the period attributable to equity holders of the Company	<u>(100,152)</u>	22,201
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)		<u>1,280</u>
Earnings for the purposes of diluted earnings per share		<u>23,481</u>

	Six months ended 30 June	
	2008	2007
	<i>'000</i>	<i>'000</i>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>17,612,510</u>	6,857,890
Effect of dilutive potential ordinary shares:		
Convertible loan notes		<u>2,096,197</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share		<u>8,954,087</u>

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

8. DIVIDEND

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The performances of metal trading business and securities trading business have not been satisfactory in recent years. During the period under review, the Group has successfully penetrated into the market of shipbuilding business in the PRC. The Group is now engaged in the production of metal vessel manufacturing and vessel ancillary products and equipment, metal trading and investments in securities.

For the six months ended 30 June 2008, the Group recorded a revenue of HK\$428.99 million (2007: HK\$3.91 million), an increase of 108.72 times over the same period of last year. The dramatic increase in revenue was due to the Group started to record revenue received from the shipbuilding business after the completion of acquisition of 100% equity interest (the “Acquisition”) in Inpax Technology Limited and its wholly owned subsidiary, namely, Jiangxi Jiangzhou Union Shipbuilding Company Limited (Collectively the “Inpax Group”) on 16 April 2008. The Group recorded a loss attributable to shareholders of HK\$100.15 million (2007: profit of HK\$22.20 million) for the six months ended 30 June 2008. The loss was mainly the results of the loss of change in fair market value of securities amounts to HK\$14.35 million, an impairment loss recognized for the goodwill in relation to the Group’s investment in Inpax Group amounting to HK\$22.22 million, an amortization recognized for the customer relationships arising from the acquisition of Inpax Group amounting to HK\$33.88 million, and an imputed interest expenses on convertible notes as the consideration for the acquisition of Inpax Group amounting to HK\$62.30 million.

Ship building business

Inpax Group became wholly owned subsidiary of the Company after the completion of Acquisition on 16 April 2008. The post-acquisition financial result of the Inpax Group was consolidated into the results of the Group since 16 April 2008. During the first half of 2008, the ship building business recorded a revenue of 428.22 million and contributed a gain of approximately HK\$71.35 million, after deducting amortization of intangible assets of HK\$33.88 million, to the consolidated results of the Group. According to the unaudited financial statements of Inpax Group, the revenue was HK\$624.58 million and the profit was HK\$81.72 million for the period from 1 January 2008 to 30 June 2008.

During the period under review, the increasing cost of raw material, shortage of shipping equipment, raising cost of labor, and appreciation in the value of RMB caused the increase of costs on the ship building business. The gross profit margin of this segment has decreased to approximately 16.8%. The directors believed that the profit margin will keep stable in the second half of 2008. The Group has only one building berth for the construction of vessel at 1 January 2008. Following two new building berths were put into operation in May 2008, the production capacity of the Group increases significantly in the second half of the year. Even though the global economic growth has slowed down, coupled with financial crisis in the United States of America, the vessel manufacturing industry in PRC remains promising. As at 30 June 2008, the Group has orders of building vessels amounting to approximately HK\$10 billion and the Group's existing production capacity is fully booked to the year 2011.

To the best knowledge of the directors, the directors estimate that Inpax Group may not achieve the guarantee profit of HK\$600 million for the year ending 31 December 2008. As stated in the Company's circular dated 6 February 2008, the vendor of Inpax Group shall compensate the shortfalls on a dollar-for-dollar basis by off-setting the convertible notes. The amount of shortfall is estimated to be approximately HK\$287 million. The snow disaster in southern and eastern China provinces adversely affect the performance of Inpax Group in the first quarter of 2008.

Metal trading business

The metal trading business generated revenue of approximately HK\$0.77 million representing a decrease of approximately 80.31% as compared to approximately HK\$3.91 million in the corresponding period of last year. For the six months ended 30 June 2008, the metal trading business record an insignificant loss of HK\$44,000 as compared to a gain of HK387,000 in the correspondence period of last year. The Group's metals trading business has remained difficult as the profit margin was still slim. The Group will continue to exercise caution when conducting its metal trading business.

Securities trading business

The volatility of stock market during the first half of 2008 adversely affected the performance of the Group's securities investment business. For the six months ended 30 June 2008, the securities trading business record a loss of HK\$15.38 million as compared to a gain of HK28.57 million in the correspondence period of last year.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group had cash and bank balances of approximately HK\$467.73 million (31 December 2007: HK\$84.80 million) in which HK\$262.06 million was pledged (31 December 2007: HK\$3.00 million); unsecured margin loan of HK\$82.36 million (31 December 2007: HK\$51.76 million); unsecured short term bank loan of HK\$56.82 million (31 December 2007: nil); long term bank borrowing of HK\$227.27 million (31 December 2007: nil); long term convertible notes payable amounting to approximately HK\$1,844.57 million (31 December 2007: HK\$46.23 million) representing liabilities component of principal amount of HK\$2,713.00 million (31 December 2007: HK\$50.00 million). The gearing ratio defined as total liabilities of HK\$4,656.54 million against total assets of HK\$5,647.75 million was 82.45% at 30 June 2008.

CHARGES ON GROUP ASSETS

As at 30 June 2008, HK\$262.06 million of bank deposit and HK\$158.20 million of prepaid lease payments were pledged to banks for banking facilities granted by banks to the Group. (31 December 2007: HK\$3.00 million of bank deposit).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The income and expenditure of the Group were denominated in Hong Kong Dollar, RMB, United States Dollars and EURO. As at 30 June 2008, the Group does not hedge its exposure foreign exchange risk profile. The Boards will consider appropriate hedging measure in future as may be necessary.

NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as the Acquisition disclosed in the announcement dated 5 November 2007 and the Company's circular dated 6 February 2008, there was no new business, material acquisitions and disposals of subsidiaries and associated companies in the period under review. The details of the Acquisition are set out in the notes 21 to the condensed consolidated financial statements in the interim report.

POST BALANCE SHEET EVENTS

As at 30 June 2008, 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 930 employees as at 30 June 2008. 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 2008, the Group has no material contingent liabilities.

CAPITAL COMMITMENT

At 30 June 2008, the Group has capital expenditure of approximately HK\$12,894,000 contracted but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment.

PROSPECTS

The ship building industry experiences an explosive growth in 2007, it remains promising in 2008. The statistic of first half of 2008 shows that the total new orders in the world on ship building industry reached approximately 86 million dwt. The number of new orders hit its second record high. As the demand remains strong, the ship building price is still at a high level which can compensate the raising costs of material, labor costs and shipping equipment. Since the Group's existing production capacity has been fully booked up to 2011, the Group considers expanding its production capacity by building a new berth and improving the production efficiency by investing in research and development.

Looking into the second half of 2008, the directors expect the global economic conditions to remain challenging. Given the recent volatilities in metal trading and securities trading, it is difficult to explore good investment opportunities. The directors will reduce the trades in metal market and securities market to avoid risks. The volatile global financial market is starting to concern the directors.

The directors consider to adopt strategies to exit the business which is lose-making and with unpromising prospect. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited 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 2008.

CORPORATE GOVERNANCE

The Company has complied with most of the code provisions ("Code Provision") as set out in Appendix 14 of the Listing Rules except for the following deviations:

(i) Code Provision A.2.1

The Company had been deviated from the Code Provision A.2.1 as the roles of the Chairman and Chief Executive Officer are not separated. Mr. Chau On Ta Yuen is in charge of the overall management of the Company as this would allow the Company to have more effective planning and execution of business strategies.

(ii) Code Provision A.4.1

The Company has deviated from Code Provision A.4.1. Although the independent non-executive directors are subject to retirement by rotation at the Company's annual general meeting pursuant to the bye-laws of the Company, not all of them were appointed for a specific term.

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 Pak He, Ms. Xiang Si Ying and Mr. Zhang Xi Ping, all being independent non-executive directors. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008 have been reviewed by the audit committee of the Company as well as the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accounts.

PUBLICATION OF INTERIM REPORT

The announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkex.com.hk>) and the Company (<http://www.wonsonintl.com>).

BOARD OF DIRECTORS

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

By order of the Board
Chau On Ta Yuen
Chairman

Hong Kong, 29 September 2008.

* *For identification purpose only*