



WANASPORTS

WANASPORTS HOLDINGS LIMITED
(威能控股有限公司*)

(Incorporated in the Cayman Islands with Limited Liability)

THIRD QUARTERLY REPORT
2001

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This report, for which the directors of Wanasports Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Wanasports Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

THIRD QUARTER RESULTS (UNAUDITED)

The Board of Directors ("Board") of Wanasports Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for three months ended 31 December 2001, together with the comparative unaudited figures for the corresponding period in 2000 as follows:

	Note	Nine months ended 31 December		Three months ended 31 December	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	3,999	0	2,369	0
Cost of sales		<u>(2,281)</u>	<u>0</u>	<u>(1,328)</u>	<u>0</u>
Gross profit		1,718	0	1,041	0
Other revenues	2	140	0	131	0
Selling and distribution expenses		(6,423)	(319)	(2,708)	(22)
General and administrative expenses		<u>(6,313)</u>	<u>(1,119)</u>	<u>(2,640)</u>	<u>(522)</u>
Operating loss		(10,878)	(1,438)	(4,176)	(544)
Finance costs	3	<u>(66)</u>	<u>0</u>	<u>(16)</u>	<u>0</u>
Loss before taxation		(10,944)	(1,438)	(4,192)	(544)
Taxation	4	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Loss attributable to shareholders		<u><u>(10,944)</u></u>	<u><u>(1,438)</u></u>	<u><u>(4,192)</u></u>	<u><u>(544)</u></u>
Interim dividend per share		<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Loss per share - basic	5	<u><u>(3.18)cents</u></u>	<u><u>(0.43)cents</u></u>	<u><u>(1.17)cents</u></u>	<u><u>(0.16)cents</u></u>

Note:

1. Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands on 21 June 2001 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's share on GEM of the Stock Exchange, the Company became the holding company of the Group on 20 November 2001. Further details of the Reorganisation are set out in the prospectus of the Company dated 4 December 2001 (the "Prospectus"). The Company's shares were listed on GEM of the Stock Exchange on 11 December 2001 (the "Listing Date").

The unaudited consolidated results of the Group for the nine months and three months ended 31 December 2001 include the results of companies now comprising the Group have been prepared on a merger basis as if the current group structure had been in existence throughout the period, or since their respective dates of incorporation or establishment, whichever is a shorter period. Accordingly, the consolidated results of the Group for the nine months and three months ended 31 December 2000 have been prepared on a merger basis of accounting.

The principal accounting policies adopted in preparing the unaudited consolidated results conform with accounting principles generally accepted in Hong Kong.

All significant intra-group transactions and balances have been eliminated on consolidation.

2. Turnover and revenue

The Group is engaged in the development of a franchise network for the distribution of golf apparel and accessories products and other sport-related products under the "Wanasports" brand name. Revenues recognised during the period are as follows:

	Nine months ended		Three months ended	
	31 December		31 December	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Sale of goods	<u>3,999</u>	<u>0</u>	<u>2,369</u>	<u>0</u>
Other revenues				
Interest income	10	0	1	0
Sundry income	<u>130</u>	<u>0</u>	<u>130</u>	<u>0</u>
	<u>140</u>	<u>0</u>	<u>131</u>	<u>0</u>
Total revenues	<u><u>4,139</u></u>	<u><u>0</u></u>	<u><u>2,500</u></u>	<u><u>0</u></u>

3. Finance costs

	Nine months ended		Three months ended	
	31 December		31 December	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	45	0	10	0
Interest element of finance leases	<u>21</u>	<u>0</u>	<u>6</u>	<u>0</u>
	<u>66</u>	<u>0</u>	<u>16</u>	<u>0</u>

4. Taxation

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the periods under review and the corresponding periods in 2000.

No recognition of the potential deferred taxation asset relating to tax losses has been made as the recoverability of this potential deferred taxation asset is uncertain.

5. Loss per share

The calculation of the basic loss per share for the nine and three months ended 31 December 2001 is based on the respective unaudited consolidated loss attributable to shareholders of HK\$10,944,172 and HK\$4,191,621 (2000: HK\$1,437,333 and HK\$543,769) and the weighted average number of shares of 344,327,778 and 356,983,333 (2000: 338,000,000 and 338,000,000) ordinary shares outstanding. The 423,000,000 ordinary shares outstanding as a result of the Group's Reorganisation prior to its initial public offering of its shares in December 2001, are included in the calculation of the weighted average number of shares as if those shares had been in issue since 1 April 2000.

No diluted loss per share for the nine months and three months ended 31 December 2001 and the corresponding periods in 2000 have been presented because there were no dilutive potential ordinary shares in existence during the periods.

6. Reserves

At 31 December 2001, the Reserves of the Group comprise of Share Premium and Retained Earnings. Share Premium represents net balance of premium from placing of shares for listing for HK\$23,926,560, capitalization issue upon reorganization for HK\$22,860,172 and deduction of Placing and listing expenses of HK\$7,649,291. At as 31 December 2000, the Reserves of the Group only comprised Retained Earnings. Save as disclosed therein, there was no movement to or from reserve from the Listing Date to 31 December, 2001.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (2000: Nil).

BUSINESS REVIEW

During the three months ended 31 December 2001, the Group has achieved satisfactory level of revenue generated from its franchisees as well as its flagship store. The turnover of approximately HK\$3,999,000 achieved during the period demonstrated that the Group has obtained the recognition of its brand name "**Wanasports**" in Hong Kong and overseas markets within a relatively short period of time. The level of revenue generated during the period has strengthened the Group's belief in further pursuing its current strategy.

In order to further expand its distribution network, the Group is continuously negotiating with and identifying appropriate candidates to join its franchise distribution network. In late December 2001, the Group's franchise network penetrated into the People's Republic of China (the 'PRC'). Franchise outlets are expected to be opened in Guangdong Province as well as a northern city in the PRC. The Directors believe that the brand name **Wanasports** has captured good attention with linkage to golf apparel in a different perspective, a fashionable golfwear and its affiliated accessories.

The Group recorded net loss attributable to shareholders of approximately HK\$4,192,000 for the three months ended 31 December 2001. This was resulted from the continuous substantial efforts devoted by the Group during the period following its commencement of franchise business and the costs associated with the opening of its flagship store at around mid 2001. Comparing to the corresponding period ended 31 December 2000, which recorded loss attributable to shareholders of approximately HK\$544,000, the increase of loss in the period reflects the substantial increase of resources utilised by the Group for expanding its business network in terms of promotion and marketing, product development as well as business development. The increased expenses comprised mainly of increase in rental of flagship store, increased in salary for administrative and sales and marketing aspects.

Similarly, the Group recorded net loss attributable to shareholders of approximately HK\$10,944,000 for the nine months ended 31 December 2001 whereas the loss for the corresponding period ended 31 December 2000 was HK\$1,438,000. The substantial change represents the same development mentioned above, for which the Group devoted increasing level of efforts and resources on promoting its product brand for market awareness and development in various aspects for Group's products and its distribution network. The Directors believe that such effort will benefit the Group as a whole in the long run and will be conducive to the Group's efforts in expanding its franchise network in the PRC and other target markets.

FUTURE PROSPECTS

Market exploration

During the period under review, the Group explored the PRC market with the assistance of its franchisees. The concerted efforts proved to be very effective. Consistent with its business development plan as described in the prospectus, the Group has been cooperating with its franchisees in establishing various outlets in the Guangdong Province specifically in the golf clubs in the region near the end of the period. For further penetration into the PRC market, the Group is negotiating with its current franchisees as well as other candidates to establish further franchisee outlets in the country. In order to broaden the scope of coverage of the Group's distribution network and to maximize its brand exposure to the general public, the Directors believe that it is appropriate to expand its franchise network as soon as possible.

New product lines

The Group is undertaking the development of a new product line, namely, kidswear, which will be launched within 2002. The Group also continues to improve the diversity of its product choice in terms of special features to be made on the existing apparel and accessories such as golf bags, golf balls, kidswear, ladies' wear as well as men's wear.

DIRECTORS' AND CHIEF EXECUTIVE INTEREST IN SHARES AND OPTIONS

As at 31 December 2001, the interests of the Directors and their associates as well as the chief executive of the Group in the share capital of the Company and its associated corporations as required to be recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company or which required, pursuant to rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

A. Ordinary shares of HK\$ 0.01 each of the Company

Name	Type of interest	Number of shares	Percentage of issued share capital
Mr. Wan Chi Keung	Corporate (Note 1)	161,756,000	38.24%
Mr. Yam Tat Wah	Corporate (Note 2)	3,381,000	0.80%
Ms. Wan Sau Mei	Personal	3,381,000	0.80%
Ms. Tang Yuen Ching Irene	Corporate (Note 3)	679,000	0.16%

Note 1: Mr. Wan Chi Keung held these shares through Charming Heart Limited, a company in which Mr. Wan Chi Keung holds 90% of its issued share capital.

Note 2: Mr. Yam Tat Wah held these shares through Sun Oriental Development Limited, a company in which Mr. Yam Tat Wah holds 100% of its issued share capital.

Note 3: Ms. Tang Yuen Ching Irene held these shares through Diamond Select Limited, a company in which Ms. Tang Yuen Ching Irene holds 100% of its issued share capital.

Save as disclosed above, none of the Directors or their associates as well as the chief executive of the Group had any interests in the share capital of the Company or its associated corporations. During the reporting periods, there was no debt securities issued by the Group at any time.

B. Share options

The Company has conditionally adopted a Share Option Scheme (the "Scheme") on 20 November 2001. A summary of the principal terms of the Scheme is set out in the subsection headed "Share Option Scheme" in Appendix IV to the Prospectus. As at 31 December 2001, no options has been granted or agreed to be granted by the Company under the Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, according to the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance, the following person is interested in 10% or more of the Company's issued share capital:

Name	Number of shares	Percentage of issued share capital
Charming Heart Limited (<i>Note 1</i>)	161,756,000	38.24%
Even More Profits Limited (<i>Note 2</i>)	124,990,000	29.55%

Note 1: Charming Heart Limited is a private company owned as to 90% by Mr. Wan Chi Keung and 10% by Ms. Yim Wai Ling, Catherina.

Note 2: Even More Profits Limited is a private company wholly owned by Mr. Chiu Chun Hung.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, DBS Asia Capital Limited (the "Sponsor"), as at 31 December 2001, neither the Sponsor nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the sponsorship agreement dated 27 June 2001 the Sponsor has been retained for a fee, as the continuing sponsor of the Company until 31 March 2004.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three months and nine months ended 31 December 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an audit committee on 12 July 2001. The audit committee has two members comprising of two Independent Non-Executive Directors, Ms. Chung Siu Lung and Mr. Kan Wing Fai Terry. Ms. Chung Siu Lung was appointed as the chairman of this committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control of the Group.

By Order of the Board
Wan Chi Keung
Chairman

Hong Kong, 4 February 2002