

WANA
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WANASPORTS HOLDINGS LIMITED
(威能控股有限公司*)
(Incorporated in the Cayman Islands with limited liability)

Annual Report 2002

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CORPORATE INFORMATION

Executive Directors

Mr. Wan Chi Keung
Mr. Yam Tat Wah
Ms. Wan Sau Mei
Mr. Lam Kwok Wai

Independent Non-executive Directors

Ms. Chung Siu Lung
Mr. Kan Wing Fai Terry

Company Secretary

Mr. Lam Kwok Wai, B. Com, CGA

Qualified Accountants

Mr. Cheung Pui Kay, AHKSA, FCCA, CPA

Compliance Officer

Mr. Lam Kwok Wai, B. Com, CGA

Principal Bankers

Hang Seng Bank Limited

Auditors

Graham H.Y. Chan & Co.
Certified Public Accountants

Audit Committee

Ms. Chung Siu Lung (*Chairman*)
Mr. Kan Wing Fai Terry

Authorised Representatives

Mr. Lam Kwok Wai
Mr. Cheung Pui Kay

Share Registrar and Transfer Office

Principal Share Registrar and Transfer Office

Bank of Butterfield International
(Cayman) Limited

Butterfield House
Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Hong Kong Registrars Limited
Room 1901-5, 19/F
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Registered Office

Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business

Suites 1201-3
Ocean Centre
Harbour City
Tsim Sha Tsui
Kowloon
Hong Kong

Website

<http://www.wanasports.net>

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the first annual report of Wanasports Holdings Limited ("the Group") for the year ended 31 March 2002.

The 2001 fiscal year has been a fruitful and memorable one for the Group, with a very successful Initial Public Offering ("IPO") and significant expansion of distribution network in Hong Kong and the People's Republic of China ("PRC"). The common thread that ties all of our success together is the Group's magical power in closely leveraging the craftsmanship, celebrity spokesperson style, franchise business model and brand building impact. These true testaments have laid solid foundation for the Group to become one of the leading distributors of leisure apparel and other sports-related products in Asia. Looking forward, we will see further progress in this direction for our management, clients and shareholders.

Listing on the Growth Enterprise Market

With strong support from the shareholders, the Group was successfully listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 December 2001 and became the first listed golfing apparel company with well-known celebrities as spokespersons on GEM.

The listing of the Group on GEM provided a solid base to expand the Group's capacity and seek business development opportunities. By fully employing the additional capital raised in the IPO, the Directors expected that it would make a significant contribution to the Group's performance in the coming years.

Financial Results

Consolidated turnover of the Group for the year ended 31 March 2002 was approximately HK\$13,319,000, representing a significant increase from the previous financial year. Consolidated loss attributable to shareholders for the same period was HK\$11,115,000, with loss per share of HK 3.05 cents.

The Group's goal is to deliver the greatest shareholder value by staying focused on the right things and by remaining true to its integrity based values and its genuine commitment to the customers. The Group leveraged its excellent position to expand its distribution network and enhance its brand recognition, and these measures have attributed to strong growth in revenue.

However, it understandably takes time for the continued investments in building distribution network and enhancing brand awareness to reflect the actual growth of the Group, therefore short-term results are affected.

Chairman's Statement

Dividend

The directors do not recommend any payment of dividend this year to provide cash flow for business development.

Business Overview

During the year under review, the Group has achieved great success in launching its products and in market development. With a number of product lines launched, the Directors believe the best place to attract customers is the point of sale. Therefore, the Group has adopted aggressive expansion plan to set up prestigious flagship shop in Tsim Sha Tsui area, one of the most high traffic districts in Hong Kong with all well-known brand names, 15 new franchise outlets in Hong Kong and the PRC, and signed contracts with 5 pro-shops in Hong Kong to distribute the Group's products.



Bus Parade with Wanasports spokespeople and artists to celebrate the Grand Opening of Tsim Sha Tsui flagship shop

The Group is a company rich in human capital. A key ingredient to its success is its unique strength and ability to leverage the charisma of celebrity to recruit franchisees to penetrate into selected markets. The Directors are convinced that it is the best guarantee for the Group to prosper and continue building its valuable **Wanasports** franchise and consistently produce strong results and value over the long term.

The satisfactory results achieved during the year have demonstrated that the Group's franchise business model has been successful and effective in enabling the Group to grow rapidly in the most cost-effective manner. The Directors believed that by further pursuing the strategy, the Group could continue to leverage its **Wanasports** brand name to attract new franchisees when entering new markets.

The Directors recognised that the PRC is the market with the greatest potential in Asia. Accordingly, the Group has devoted tremendous efforts to build up its distribution network in the PRC to sustain and enhance its rapid growth. In December 2001, the Group's first franchise outlet in the PRC was established in Tianjin, a milestone marking the Group's successful penetration into the PRC market.

Currently, the Group's franchise retail outlets have covered major coastal cities of the PRC. Capitalising on the strong enhancement of distribution network in the PRC, the Group has further established its market positioning and enlarged its market share, which will contribute to its future development.

Chairman's Statement

Prospects

One constant challenge for the Group is to build the superstructure for its rapid growth in the future. This necessitates that the Group makes well-considered investments ahead of the growth curve to meet the exponential growth in the PRC market.

With the PRC's entry into the World Trade Organization ("WTO"), it is expected that the PRC will continue to sustain its robust economic growth. The Directors believe that the demand for leisure and sports-related products, including golfing apparel, will grow significantly in the PRC due to higher living standard, increased consumer expenditure and more leisure time available.

At the same time, it is anticipated that there will be an upsurge for participation in sports in the PRC in the coming years as Beijing will host the 2008 Olympic Game. The favorable environments and growing popularity of golf will lead to significant growth of golfers in the PRC, which definitely create golden opportunities for the Group.

The Directors believe that our product lines are well positioned to capture the growth momentum of their respective targeted markets. To strengthen the Group's position in the market, a key component is to expand its product lines, including apparel, golf accessories and other related products, after in-depth evaluation of the market demand.

In the future, the Group will continue to devote resources to expand geographic coverage of its distribution network to other selected Asian countries by operating additional franchise outlets.

With this regard, it is anticipated that sales of the Group will continue to expand and bring significant returns to its shareholders in the coming years.

Appreciation

I would like to take this opportunity to thank the Directors, our management and staff for their dedications and full commitments, and our franchisees, vendors, valued customers, banks and shareholders for their continued supports.

By order of the Board

Wan Chi Keung

Chairman

18 June 2002



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

On 11 December 2001, the Group was successfully listed on the GEM of the Stock Exchange and raised approximately HK\$20 million after deduction of the related expenses. The net proceeds from the share offer provided funding for the Group's development plans, strategic investments and additional general working capital.

Results

The audited consolidated turnover of the Group for the year ended 31 March 2002 was approximately HK\$13,319,000 (2001:Nil). The substantial increase in revenue of the Group was attributable to the successful franchise business model, endorsements of celebrity spokespersons and operational strategies that provided the Group with sound business development and market recognition in the Asian countries.

The audited loss attributable to shareholders of the Group and loss per share for the year ended 31 March 2002 were approximately HK\$11,115,000 and HK 3.05 cents respectively. Compared with the corresponding period ended 31 March 2001, which recorded loss attributable to shareholders of approximately HK\$2,240,000, the increase of loss during the period under review reflected the substantial increase of resources utilised by the Group for expanding its distribution network, promoting its product branding for market recognition, launching new products and costs associated with the opening of its Tsim Sha Tsui flagship shop in July 2001.

Financial Resources and Liquidity

As at 31 March 2002, shareholders' interest of the Group amounted to approximately HK\$29,914,000. Current assets amounted to approximately HK\$29,776,000, of which approximately HK\$6,097,000 were cash and bank deposits. The Group had non-current liabilities of approximately HK\$493,000. Current liabilities of approximately HK\$2,092,000 mainly comprised of its trade payable and accruals. The net asset value per share was HK\$0.07.

Others

During the year ended 31 March 2002, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies and it was the same for the comparative year ended 31 March 2001.

As at 31 March 2002, the Group had no plans for material investments except the plans set out in the section headed "Statement of Business Objectives" in the prospectus of the Group dated 4 December 2001.

Management Discussion and Analysis

As at 31 March 2002, the Group had no material contingent liabilities and it is the same for the comparative year ended 31 March 2001.



The Group's Annual Dinner

The Group is principally engaged in one business segment in two geographical regions. The Group presented its segment information based on geographical location of its customers.

Staff

As at 31 March 2002, the Group had 37 full-time employees. The Directors believe that the Group has maintained a good relationship with its employees.

Business Review

Products and Celebrity Endorsements

The Group has developed a wide range of golfing apparel and accessories. In July 2001, the Group formally launched its apparel lines at the inauguration of its flagship shop in Hong Kong. It currently promotes its apparel products under three fashion lines for men, namely **Elegance**, **Challenge** and **Confidence** and one for women, namely **Michelle**.

The Group also leveraged on its competitive advantage in golfing apparel products to market a range of golfing and other accessories under the **Wanasports** brand name, including golf bags, golf balls, golf ball holders, belts and gloves etc. The accessories are also very well accepted by the customers.

The strategy of the Group is to make use of the endorsement of the Group's products by celebrity spokespersons as effective sales and promotional vehicles to reinforce its brand image, and to achieve market penetration into selected Asian countries. In addition to Mr. Wan and Mr. Yam, two directors of the Group, in June 2001, the Group signed spokesman's contracts with Mr. Hung Kam Po, Mr. Ko Shou Liang and Ms. Yim Wai Ling, Catherina for engaging them to act as the spokespersons for the Group's apparel lines. The spokesman's contract with Mr. Hung Kam Po was released under mutual agreement in January 2002. The Directors believed that the endorsement of celebrity has helped the Group to increase brand awareness and successfully captured attention and recruited franchisees.

Management Discussion and Analysis

Customers and Distribution Network

The Group's strategy is to establish a franchise network for the distribution of products under **Wanasports** brand name. The Group's products are available in its flagship shop, franchise outlets and pro-shops. The inauguration of flagship shop of the Group in Tsim Sha Tsui in July 2001 marked a new milestone of the Group. The Group entered into agreements with five pro-shops at golf clubs in Hong Kong for distribution of the Group's products on consignment basis in August and September 2001 to broaden its sales and distribution channels. Currently, the Group operates its flagship shop in Tsim Sha Tsui and consignment outlet in pro-shops in Hong Kong. Our franchisees operate other retail outlets and shops in Hong Kong and the PRC respectively.



Grand Opening of Causeway Bay franchise shop



Grand Opening of Central franchise shop

The satisfactory level of revenue generated for the year under review has demonstrated the effectiveness of the business model of the Group, which further strengthened the Directors' belief in pursuing its current strategy. The Group is negotiating with its current franchisees as well as other candidates to establish additional franchise outlets in other selected Asian countries to reinforce its market position.

Penetration into the PRC Market

The Directors fully recognised the potential of the PRC market. According to the Asia Golf Report published in April 2001 by Golf Research Group, the PRC has the largest number of golfers among Asian countries, excluding Japan. However, the participation rate is relatively low with only approximately 0.08 % of its total population. The Directors are of the view that low participation rate means there is large potential for the increase of popularity of the sports. With the economic development in the country, accession to the WTO and Beijing being the organiser of the 2008 Olympic Game, all these favorable factors will bring ample opportunities to the sports products market in the PRC.



Grand Opening of franchise shop in Tian An International Plaza, Shenzhen

Management Discussion and Analysis



Franchise outlet in Tian An International Plaza, Shenzhen

The Group strongly believes that the PRC is the most important market and has put tremendous efforts to explore it. In December 2001, the Group's first franchise shop in the PRC opened in Tianjin, marking its official entry into the PRC market. Currently, the Group has totally 17 franchise shops and outlets in the PRC.

In view of the fast economic growth along the coastal cities of the PRC, the Directors regarded entry into these markets as one of the major contributors to its future development, and have put great emphasis on it. In April 2002, a franchise shop was opened in one of the prestigious shopping malls in Shenzhen, followed by two franchise outlets opened in Shanghai in early June 2002.

In order to further expand the PRC market, the Group is continuously identifying and negotiating with appropriate prospects to join its franchise distribution network. The Directors believe that with the expansion of the geographic coverage in the PRC, the PRC market will contribute the most significant share to the Group's revenue.

Marketing and Promotion

In addition to engaging celebrities to act as spokespersons for the Group's apparel, the Group also actively promotes its brand name through advertising and TV commercials in Hong Kong and through participation in trade fairs and exhibitions in the PRC. The advertisements and promotional activities have successfully increased the brand awareness and recognition of the **Wanasports** brand name.



Wanasports in action at the Franchise China Conference & Exhibition, Dalian



The Group has actively participated in different media channels to enhance brand awareness of Wanasports

The Directors recognised the importance of using the corporate website as an interface to build its brand name and recruit potential franchisees. The Group has further developed its www.wanasports.net website to reinforce the Group's image.

COMPARISON OF KEY INITIATIVES WITH ACTUAL BUSINESS PROGRESS

The following section compares the actual business progress of the Group for the year ended 31 March 2002 to the information provided in the section headed "Statement of Business Objectives" as set out in the prospectus as follows:

| | Key Initiatives | Actual Business Progress |
|---------------------------------|--|---|
| 1 Product Development | To obtain information on market trend of new fall/winter collection and commence design of such collection. | It is an ongoing exercise of the Group to review the current market trend. The design of the fall/winter collection of each product line has been commenced and finished during the year. |
| <i>Menswear/ womenswear</i> | Commence and complete design for new fall/winter collection of each product line. Commence and complete the design of new items for the new season range of the Chi-Mask collection. | The Group has finished the design of the fall/winter collection and introduced 30 and 50 styles for menswear and womenswear respectively. The designs are very well received. |
| <i>Kidswear</i> | Commence and finalize concept and commence design of 30 new product styles for men and women. Commence design of a new line of kidswear. | 35 styles for the spring/summer collection and 40 styles for the fall/winter collection of the Junior product line has been completed. |

Comparison of Key Initiatives with Actual Business Progress

| | Key Initiatives | Actual Business Progress |
|-------------------------------|--|--|
| <i>Accessory items</i> | <p>Complete the design of new golf shoes series</p> <p>Complete design of at least 3 accessories items such as shoes bags, cardholders and wallets</p> | <p>The Group has designed various accessory items such as traveling bags, shoes bags, ladies handbags, wallets, coin bags, palm holders, belts, back packs and caps etc.</p> |
| <i>Personal care products</i> | <p>Commence selection of items for new line of personal care products</p> | <p>The Group is in the process of researching and identifying suitable personal care products for further development.</p> |
| 2 Distribution | <p>Continue to negotiate with and appoint new franchisees in existing and new targeted markets.</p> <p>Continue to negotiate with pro-shops at golf clubs in Hong Kong, the PRC and the US for setting up consignment counters</p> | <p>The group will continue to negotiate and appoint new franchisees to penetrate into selected Asian countries.</p> <p>In view of the huge potential of the PRC, the Group devoted most of its efforts to the PRC market.</p> <p>The Group has identified several pro-shops at golf clubs in Hong Kong and the PRC and will further negotiate with these pro-shops for setting up consignment outlets.</p> |
| | <p>New franchisee outlets: 5</p> | <p>During the year under review, 15 new franchisee outlets were operated in Hong Kong and the PRC.</p> |

Comparison of Key Initiatives with Actual Business Progress

| | Key Initiatives | Actual Business Progress |
|------------------------------|---|--|
| 3 Sales and Marketing | Total number of franchisee outlets: 5 | As at 31 March 2002, a total of 15 franchisee outlets in Hong Kong and the PRC were setup. |
| | Total number of consignment counters at pro-shops: 5 | The Group has entered into agreement with 5 pro-shops for distribution of its products at their consignment counters. |
| | Identify and negotiate with new artists to act as spokespersons for new product lines to be launched. | The Group is actively identifying suitable artists to act as spokespersons for new product lines. |
| | Continue to identify other new spokespersons. | |
| | Continue to promote the franchise scheme by holding seminar and through the corporate website | The Group has incorporated its franchise scheme in its corporate website. |
| | Continue to participate in trade shows and exhibitions to create market awareness | The Group will participate in a number of trade shows and exhibitions. |
| | Publish merchandise catalogue | The first merchandise catalogue was published in July 2001 and updated information of our products is also available in our corporate website. |

Comparison of Key Initiatives with Actual Business Progress

Comparison of Use of Proceeds

The Group raised net proceeds of approximately HK\$20 million upon listing of the Company's shares on GEM of the Stock Exchange.

As at 31 March 2002, the Group applied approximately HK\$3.2 million in accordance with the Group's development plans versus HK\$2.8 million as set out in the prospectus, which included new product development, distribution network establishment etc.

Detail uses of the proceeds from the placing of shares were applied as follow:

- Approximately HK\$0.4 million was used for Product Development;
- Approximately HK\$2.3 million was used for Promotion and Marketing;
- Approximately HK\$0.2 million was used for Distribution; and
- Approximately HK\$0.3 million was used for Business Development.

Currently, the Directors consider there is no material modification over the use of proceeds as disclosed in the prospectus and the Group has sufficient funds for the completion of the above business plans. The balance of the unused proceeds was placed as bank deposits as at 31 March 2002.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wan Chi Keung, aged 46, is the founder, the Chairman and Chief Executive Officer of the Group. Mr. Wan founded the Group in July 1998. Mr. Wan has been responsible for formulating the overall business strategies and corporate development of the Group and overseeing the sales and marketing aspects since the commencement of its business operations. Mr. Wan is one of the spokespersons for the Group's apparel products. He has attained outstanding recognition in the sports industry. Since 1978, Mr. Wan has been active in the entertainment and movie industry, starring in various movies and television series. He is currently actively involved in the promotion of sports and is a well-respected sports commentator. Mr. Wan is a keen amateur golfer.

Mr. Yam Tat Wah, aged 47, is an Executive Director and the Vice Chairman of the Group. Mr. Yam is involved in the overall planning and marketing of the Group's business. He also actively participates in the design of the Group's merchandise. Mr. Yam is also one of the spokespersons for the Group's apparel products. He joined the Group in June 2001.

Ms. Wan Sau Mei, aged 44, is an Executive Director. She is responsible for overseeing the corporate and business development of the Group. She is also in charge of the development of the Group's overseas business. She has over 24 years of working experience in accounting. Prior to joining the Group, she worked as an accountant in a company engaged in garment manufacturing industry in Hong Kong. She was previously a director of a member of the Group between August 1999 and May 2001 and she joined the Group as an Executive Director in August 2001. Ms. Wan is a sister of Mr. Wan Chi Keung.

Mr. Lam Kwok Wai, aged 43, is an Executive Director and the Chief Financial Officer of the Group. He is responsible for the overall financial planning and management of the Group. He graduated from the Curtin University of Western Australia with a Bachelor of Commerce Degree in Accounting. He is a member of the Certified General Accountants Association of Canada. He has over 18 years of experience in audit and accounting. He joined the group in December 2001.

Profiles of Directors and Senior Management

Independent Non-executive Directors

Ms. Chung Siu Lung, aged 35, is a practicing solicitor in Hong Kong. Ms. Chung holds a Bachelor's Degree in Social Sciences from the Chinese University of Hong Kong and a Law Degree from the University of London. Ms. Chung served as the vice-president of a venture capital company in Hong Kong investing primarily in high-tech and information technology companies. From August 2000 to January 2001, Ms. Chung was the director of legal affairs of a company listed in Hong Kong. Such company focuses on making investments in technology and related businesses. She joined the Group in June 2001.

Mr. Kan Wing Fai Terry, aged 26, is a practising barrister in Hong Kong. He was called to the Hong Kong Bar in 1999. Mr. Kan graduated from Imperial College, London in 1997 with a Bachelor Degree in Electrical and Electronic Engineering and is an Associate Member of the Institute of Electrical Engineers. He obtained a Postgraduate Diploma in Law from the University of Westminster, London and a Postgraduate Certificate in Law from the University of Hong Kong. Mr. Kan is also an Associate Member of the Chartered Institute of Arbitrators.

Senior Management

Mr. Cheung Pui Kay, aged 42, is the Executive Vice President of the Group. He is responsible for business development and the corporate administration of the Group. Mr. Cheung joined the Group in September 2001 and has extensive experience in corporate affairs, international trade and business administration.

Mr. Choy York Yee Evans, aged 49, is the Chief Informational Officer of the Group. He is responsible for the operation of the Group's website. From October 1999 to August 2000, Mr. Choy was the program controller of the Group. He left the Group in August 2000 and re-joined the Group in August 2001.

Ms. Chan Wing Shan, aged 31, is the Chief Operating Officer of the Group. She is responsible for the implementation of the corporate and business strategies and operations of the Group. She has over 10 years of experience in merchandising field. She joined the Group in May 2001.

Consultant

Mr. Wong Hing Kwei Peter, aged 58, is the Chief Sports Consultant of the Group. He assists the Group in collating sports news and related contents for the Group's website, particularly those covering the Southeast Asian region. He left the Group in August 2000 and re-joined as the Group's consultant in August 2001.

DIRECTORS' REPORT

The directors have pleasure in submitting their first annual report together with the audited accounts for the year ended 31 March 2002.

Group Reorganisation

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.

On 20 November 2001, pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired the entire issued share capital of Wanasports Group Limited ("WGL") through a share swap and became the holding company of WGL and its subsidiaries. Details of the Reorganisation are set out in the prospectus of the Company dated 4 December 2001. The shares of the Company were successfully listed on the GEM of the Stock Exchange on 11 December 2001.

The Reorganisation has been reflected in these accounts by regarding the company had been the holding company of the Group from the beginning of the earliest period presented. The basis of preparation for these accounts is set out in note 1 to the accounts.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 14 to the accounts.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 26.

The directors do not recommend the payment of a dividend.

Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in note 13 to the accounts.

Directors' Report

Financial Summary

The following table summaries the consolidated results, assets and liabilities of the Group for the last two years.

| | 2002 <i>HK\$'000</i> | 2001 <i>HK\$'000</i> |
|-----------------------------------|--------------------------------|-------------------------|
| Turnover | 13,319 | – |
| Loss attributable to shareholders | (11,115) | (2,240) |
| Total assets | 32,499 | 260 |
| Total liabilities | (2,585) | (2,779) |
| Net assets/(liabilities) | 29,914 | (2,519) |

1. The results for each of the two years ended 31 March have been prepared on a combined basis as if the group structure immediately after the Reorganisation had been in existence throughout the years concerned.
2. The Company was incorporated on 21 June 2001. Accordingly, the only published audited consolidated balance sheet of the Group is that set out on page 27.

Share Capital

Details of the movements in the share capital of the Company are set out in note 20 to the accounts.

Share Option

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 20 November 2001 and will expire on 10 December 2011. Under the Scheme, the board of directors of the Company may, at their discretion, invite any employees, directors of the Company and/or its subsidiaries, any consultants, suppliers or customers of the Group, to subscribe for shares in the Company.

Directors' Report

Share Option *(Continued)*

The total number of the shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period up to the date of grant is not permitted to exceed 1% of the shares of the Company in issue at the date of grant, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the date of expiry of the option as may be determined by the directors which shall not exceed ten years from the date of grant of the options. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

No options were granted by the Company during the period since the adoption of the Scheme.

Directors

The directors since its date of incorporation and up to the date of this report were:

Executive directors

| | |
|----------------------------|---|
| Mr. WAN Chi Keung | (appointed on 21 June 2001) |
| Mr. YAM Tat Wah | (appointed on 22 June 2001) |
| Ms. WAN Sau Mei | (appointed on 15 August 2001) |
| Mr. LAM Kwok Wai | (appointed on 21 January 2002) |
| Ms. LIU Man Wai, Shirley | (appointed on 22 June 2001 and resigned on 5 August 2001) |
| Ms. TANG Yuen Ching, Irene | (appointed on 22 June 2001 and resigned on 1 March 2002) |

Independent non-executive directors

| | |
|-------------------------|-----------------------------|
| Ms. CHUNG Siu Lung | (appointed on 22 June 2001) |
| Mr. KAN Wing Fai, Terry | (appointed on 28 June 2001) |

Mr. Wan Chi Keung and Mr. Yam Tat Wah retire by rotation, at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Directors' Report

Directors' Service Contracts

Each of Mr. Wan Chi Keung, Mr. Yam Tat Wah and Ms. Wan Sau Mei, the executive directors, has entered into a service contract with the Company on 1 December 2001 for an initial term of two years from 1 December 2001 and expiring on 30 November 2003. Mr. Lam Kwok Wai, the executive director, has entered into a service contract with the Company on 1 March 2002 for an initial term of two years from 1 March 2002 and expiring on 29 February 2004. All the above mentioned contracts shall continue thereafter until terminated by either party giving to the other not less than six months' prior written notice.

Save as disclosed above, none of the directors who are proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Biographical Details of Directors and Senior Management

The biographical details of the directors and senior management of the Company are set out on page 15.

Directors' Interest in Contracts

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' Report

Directors' Interest in Securities

As at 31 March 2002, the interest of the directors, chief executives and their associates in the securities of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

| | Number of ordinary shares beneficially held | |
|-------------------------------------|---|---------------------|
| | Personal interests | Corporate interests |
| Mr. Wan Chi Keung (<i>note 1</i>) | – | 161,756,000 |
| Mr. Yam Tat Wah (<i>note 2</i>) | – | 3,381,000 |
| Ms. Wan Sau Mei | 3,381,000 | – |

Notes:

- (1) The shares are held by Charming Heart Limited, a company incorporated in the British Virgin Islands, which is 90% owned by Mr. Wan Chi Keung.
- (2) The shares are held by Sun Oriental Development Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Yam Tat Wah.

Save as disclosed above and other than certain nominee shares in subsidiaries held on trust for the Group by certain directors, none of the directors, chief executives of the Company and their associates had any personal, family, corporate or other interests in securities of the Company or any of its associated corporations as defined in the SDI Ordinance as recorded in the register as at 31 March 2002 maintained under Section 29 of the SDI Ordinance or which are required, pursuant to Rules 5.40 to 5.49 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange, to be notified to the Company and the Stock Exchange.

At no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the directors, or their spouse or children under the age 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

Directors' Report

Substantial Shareholders

As at 31 March 2002, in addition to those interests as disclosed above in respect of directors, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company directly or indirectly according to the register of substantial shareholders required to be maintained under Section 16(1) of the SDI Ordinance:

| | Number of shares | Approximate percentage or attributable percentage of shareholding (%) |
|---|------------------|---|
| 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.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 March 2002.

Major Suppliers and Customers

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:–

Purchases

| | |
|-----------------------------------|-----|
| – the largest supplier | 16% |
| – five largest suppliers combined | 53% |

Directors' Report

Major Suppliers and Customers (Continued)

Sales

- the largest customer 39%
- five largest customers combined 73%

None of the directors, their respective associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had interest in the major suppliers or customers noted above.

Board Practices and Procedures

The Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since listed on the GEM of the Stock Exchange.

Sponsor's Interest

As updated and notified by the Company's sponsor, DBS Asia Capital Limited (the "Sponsor"), as at 31 March 2002, 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 Company.

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.

Directors' Interest in Competing Business

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.

Purchase, Redemption or Sale of Listed Securities of the Company

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors' Report

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws and there are no restrictions against such rights under the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated.

Audit Committee

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties and comprises the two independent non-executive directors, Ms. Chung Siu Lung and Mr. Kan Wing Fai, Terry. The audit committee met one time during the year to review and supervise the group's financial reporting process and internal control system.

Auditors

Messrs Graham H. Y. Chan & Co. were appointed as auditors of the Company during the period. A resolution will be submitted to the annual general meeting of the Company to re-appoint them as auditors.

On behalf of the Board

Wan Chi Keung

Chairman

Hong Kong, 18 June 2002

AUDITORS' REPORT



GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

TO THE SHAREHOLDERS OF WANASPORTS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts set out on pages 26 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Graham H. Y. Chan & Co.

Certified Public Accountants

Hong Kong, 18 June 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2002

| | Note | 2002 HK\$'000 | 2001 HK\$'000 |
|---|------|-------------------------|------------------|
| Turnover | 3 | 13,319 | – |
| Cost of sales | | (7,042) | – |
| Gross profit | | 6,277 | – |
| Other revenues | 3 | 1,378 | – |
| Advertising and promotion expenses | | (2,064) | (167) |
| Distribution costs | | (3,478) | (10) |
| Sample charges | | (379) | (76) |
| Operating lease rentals in respect of land and buildings | | (2,457) | (134) |
| Other operating costs | | (10,204) | (1,853) |
| Operating loss | 5 | (10,927) | (2,240) |
| Finance costs | 6 | (36) | – |
| Loss before taxation | | (10,963) | (2,240) |
| Taxation | 7 | (152) | – |
| Loss attributable to shareholders | 8 | (11,115) | (2,240) |
| Loss per share | | | |
| Basic | 10 | 3.05 cents | 0.66 cents |

The Group has no recognised gains or losses other than loss attributed to shareholders as shown above. Accordingly, no separate statement of recognised gains and losses is presented.

CONSOLIDATED BALANCE SHEET

As at 31 March 2002

| | Note | 2002 HK\$'000 | 2001 HK\$'000 |
|---|------|------------------|------------------|
| Non-current assets | | | |
| Fixed assets | 13 | 2,435 | 119 |
| Club membership | | 288 | – |
| | | 2,723 | 119 |
| Current assets | | | |
| Inventories | 15 | 6,011 | – |
| Trade receivables | 16 | 10,713 | – |
| Prepayments, deposits and other receivables | | 6,955 | 88 |
| Cash and bank balances | | 6,097 | 53 |
| | | 29,776 | 141 |
| Current liabilities | | | |
| Trade payables | 17 | 222 | – |
| Accruals and provisions | | 1,620 | 155 |
| Amounts due to a director | | – | 2,624 |
| Current portion of obligations under finance leases | 18 | 226 | – |
| Other loans, secured | 19 | 24 | – |
| | | 2,092 | 2,779 |
| Net current assets/(liabilities) | | 27,684 | (2,638) |
| Total assets less current liabilities | | 30,407 | (2,519) |
| Capital and reserves | | | |
| Share capital | 20 | 4,230 | 78 |
| Reserves | 21 | 25,684 | (2,597) |
| Shareholders' funds/(capital deficiency) | | 29,914 | (2,519) |
| Non-current liabilities | | | |
| Obligation under finance leases | | | |
| – due after one year | 18 | 298 | – |
| Obligation under other loans, secured | | | |
| – due after one year | 19 | 43 | – |
| Deferred taxation | 22 | 152 | – |
| | | 493 | – |
| | | 30,407 | (2,519) |

Wan Chi Keung
Director

Lam Kwok Wai
Director

BALANCE SHEET

As at 31 March 2002

| | <i>Note</i> | 2002 <u>HK\$'000</u> |
|---|-------------|---------------------------------------|
| Investments in subsidiaries | 14 | <u>19,369</u> |
| Current assets | | |
| Prepayments, deposits and other receivables | | 112 |
| Cash and bank balances | | <u>46</u> |
| | | 158 |
| Current liabilities | | |
| Accounts payable and accruals | | <u>161</u> |
| Net current liabilities | | <u>(3)</u> |
| Total assets less current liabilities | | <u>19,366</u> |
| Capital and reserves | | |
| Share capital | 20 | 4,230 |
| Reserves | 21 | <u>15,136</u> |
| Shareholders' funds | | <u>19,366</u> |

Wan Chi Keung
Director

Lam Kwok Wai
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2002

| | Note | 2002 HK\$'000 | 2001 HK\$'000 |
|--|-------|--------------------------------|------------------|
| Net cash outflow from operating activities | 23(a) | (32,009) | (2,182) |
| Returns on investments and servicing of finance | | | |
| Interest received | | 19 | – |
| Interest paid | | (3) | – |
| Interest element of finance leases | | (29) | – |
| Interest paid on other loans, secured | | (4) | – |
| Net cash outflow from returns on investments and servicing of finance | | (17) | – |
| Investing activities | | | |
| Purchase of fixed assets | | (2,393) | (134) |
| Acquisition of club membership | | (288) | – |
| Net cash outflow from investing activities | | (2,681) | (134) |
| Net cash outflow before financing activities | | (34,707) | (2,316) |
| Financing activities | 23(b) | | |
| Proceeds from new issue of shares | | 28,050 | – |
| Proceeds from new issue of shares of a subsidiary to the then shareholders | | 5,000 | 49 |
| Issuing expenses of new shares | | (7,421) | – |
| Addition of loans from a director and a shareholder | | 15,295 | 2,319 |
| New other loans raised | | 94 | – |
| Repayment of other loans | | (27) | – |
| Capital element of finance lease payments | | (240) | – |
| Net cash inflow from financing activities | | 40,751 | 2,368 |
| Increase in cash and cash equivalents | | 6,044 | 52 |
| Cash and cash equivalents at 1 April | | 53 | 1 |
| Cash and cash equivalents at 31 March | | 6,097 | 53 |
| Analysis of balances of cash and cash equivalents | | | |
| Cash and bank balances | | 6,097 | 53 |

NOTES TO THE ACCOUNTS

1. Group Reorganisation and Basis of Preparation

- (a) The Company was incorporated in the Cayman Islands on 21 June 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands.
- (b) On 20 November 2001, pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired the entire issued share capital of Wanasports Group Limited ("WGL") through a share swap and became the holding company of WGL and its subsidiaries. Details of the Reorganisation are set out in Appendix IV of the Prospectus of the Company dated 4 December 2001. The shares of the Company were listed on the GEM of the Stock Exchange on 11 December 2001.
- (c) The Reorganisation is accounted for using merger accounting as permitted by Hong Kong Statement of Standard Accounting Practice 2.127 "Accounting for group reconstructions". The consolidated accounts of the Group for the year ended 31 March 2002, including the comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.
- (d) The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention.

2. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Consolidation

The Reorganisation referred to in note 1 above has been accounted for using merger accounting by regarding the Company had been the holding company of the Group from the beginning of the earliest period presented. The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Apart from the Reorganisation referred to in note 1 above, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Notes to the Accounts

2. Principal Accounting Policies (Continued)

(a) Consolidation (Continued)

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

A subsidiary is a company in which the Company, directly and indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the profit and loss account.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Revenue Recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from the sale of services is recognised when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(c) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. They are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:–

| | |
|---------------------------|--------|
| Leasehold improvements | 20-33% |
| Furniture and equipment | 20% |
| Motor vehicles | 20% |
| Office and shop equipment | 20% |
| Computer equipment | 20% |

Notes to the Accounts

2. Principal Accounting Policies (Continued)

(c) Fixed Assets (Continued)

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the assets is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(d) Club Membership

Club membership is not transferable within two years from the date of admission as a member and is stated at cost less provision for impairment.

(e) Assets under Leases

(i) Finance Leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

Notes to the Accounts

2. Principal Accounting Policies (Continued)

(e) Assets under Leases (Continued)

(ii) Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first in first out basis, comprises all cost of purchase and other cost incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(g) Trade Receivables

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(h) Deferred Taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(i) Translation of Foreign Currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transactions dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Notes to the Accounts

2. Principal Accounting Policies (Continued)

(k) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(l) Retirement Benefit Costs

The Group's contributions to the retirement scheme are expended as incurred.

(m) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(n) Segment Reporting

The Group is principally engaged in one business segment in two geographical region. The Group presented its segment information based on geographical location of its customers. Financial information of geographical segments is presented in note 4.

Notes to the Accounts

3. Turnover and Revenues

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are principally engaged in the distribution of golfing and other sports-related products. Revenues recognised during the year are as follows:

| | 2002 | 2001 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | | |
| Sale of golf apparel and sports-related products | 13,319 | – |
| Other revenues | | |
| Interest income | 19 | – |
| Service income from franchisees | 1,200 | – |
| Other income | 159 | – |
| | 1,378 | – |
| Total revenues | 14,697 | – |

Notes to the Accounts

4. Segment Information

Segmental information has not been prepared for the year ended 31 March 2001 as the Group did not have turnover in that year. An analysis of the Group's turnover and contribution to operating results by geographical location of its customers for the year ended 31 March 2002 and the segmental assets and liabilities by geographical location of its customers as at 31 March 2002 is as follows:

| | Hong Kong | United States | Combined |
|-----------------------------------|------------------|----------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| For the year ended 31 March 2002 | | | |
| Turnover – external sales | 12,704 | 615 | 13,319 |
| Results | | | |
| Segment results | (9,027) | (327) | (9,354) |
| Unallocated costs | | | (1,573) |
| Operating loss | | | (10,927) |
| As at 31 March 2002 | | | |
| Assets | | | |
| Segment assets | 31,728 | – | 31,728 |
| Unallocated corporate assets | | | 771 |
| Combined total assets | | | 32,499 |
| Liabilities | | | |
| Segment liabilities | 1,693 | 385 | 2,078 |
| Unallocated corporate liabilities | | | 507 |
| Combined total liabilities | | | 2,585 |
| Other information | | | |
| Capital expenditure | | | 3,445 |
| Depreciation | | | 805 |

Notes to the Accounts

5. Operating Loss

The operating loss is stated after charging the following:–

| | Group | |
|---|-----------------|----------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Cost of inventories sold | 7,042 | – |
| Auditors' remuneration | 210 | 60 |
| Depreciation – owned fixed assets | 633 | 31 |
| Depreciation – leased fixed assets | 172 | – |
| Net exchange losses | 7 | – |
| Staff costs (excluding directors' remuneration) | | |
| – basic salaries and allowance | 4,923 | 928 |
| – retirement scheme contributions | 227 | – |

6. Finance Costs

| | Group | |
|------------------------------------|-----------------|----------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Interest on bank overdrafts | 3 | – |
| Interest element of finance leases | 29 | – |
| Other loan interest | 4 | – |
| | 36 | – |

7. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profit for the year (2001: Nil).

| | Group | |
|-----------------------------|-----------------|----------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Deferred taxation – note 22 | 152 | – |

8. Loss Attributable to Shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of approximately HK\$1,369,000 (2001: Nil).

Notes to the Accounts

9. Dividends

No dividends had been paid or declared by the Company during the year (2001: Nil).

10. Loss per Share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$11,115,000 (2001: HK\$2,240,000) and the weighted average number of 363,849,315 shares (2001: 338,000,000 shares) in issue during the year. In determining the weighted average number of shares in issue, a total of 338,000,000 shares represents the share issued on the establishment of the Company and the shares issued pursuant to the Reorganisation, including capitalisation issue as referred in note 20(d) to the accounts, were deemed to have been in issue on 1 April 2001.

For comparison purposes, both the 10,655,990 shares issued as consideration of the acquisition by the Company of the issued capital of Wanasports Group Limited and the capitalisation issue of 327,344,000 shares mentioned above were deemed to have been in issue on 1 April 2000 for the purpose of the calculation of basic loss per share.

Diluted loss per share for the year has not been presented as the effect of any dilution is anti-dilutive.

11. Retirement Benefit Costs

The Group operates a Mandatory Provident Fund scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all eligible employees of the Company and its subsidiaries in Hong Kong. The Group's contributions are at 5% of the employee's relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF scheme if their relevant income is more than HK\$4,000 per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

The Group's contribution to the MPF scheme charged to the profit and loss account during the year amounted to HK\$248,000 (2001: Nil).

Notes to the Accounts

12. Directors' and Senior Management's Emoluments

- (a) The aggregate amounts of emolument paid and payable to directors during the year are as follows:-

| | 2002 | 2001 |
|---------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Fees | 108 | - |
| Other emoluments: | | |
| Basic salaries and allowances | 725 | - |
| Retirement scheme contributions | 21 | - |
| | 854 | - |

During the year, the executive directors received individual emoluments of HK\$391,000, HK\$172,000, HK\$106,000 and HK\$77,000 respectively. Two independent non-executive directors received HK\$54,000 each.

No directors waived or agreed to waive any of their emoluments in respect of the years ended 31 March 2001 and 2002.

- (b) The five highest paid individuals during the year included one (2001 : Nil) director, details of whose emoluments are set out above. The emoluments payable to the remaining four (2001 : 5) individuals are as follows:

| | 2002 | 2001 |
|---------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Basic salaries and allowances | 1,489 | 565 |
| Retirement scheme contributions | 31 | - |
| | 1,520 | 565 |

The emoluments of each of the five highest paid individuals were less than HK\$1,000,000 for both year.

During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

Notes to the Accounts

13. Fixed Assets – Group

| | Leasehold improvements | Furniture and fixture | Motor vehicles | Office and shop equipment | Computer equipment | Total |
|------------------------|---------------------------|-----------------------------|-------------------|---------------------------------|-----------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cost | | | | | | |
| Brought forward | 38 | 7 | – | 108 | – | 153 |
| Additions at cost | 1,143 | 253 | 861 | 375 | 525 | 3,157 |
| Disposals | (44) | – | – | – | – | (44) |
| Carried forward | 1,137 | 260 | 861 | 483 | 525 | 3,266 |
| Aggregate depreciation | | | | | | |
| Brought forward | 8 | 1 | – | 25 | – | 34 |
| Charge for the year | 379 | 52 | 172 | 97 | 105 | 805 |
| Disposals | (8) | – | – | – | – | (8) |
| Carried forward | 379 | 53 | 172 | 122 | 105 | 831 |
| Net book value | | | | | | |
| At 31 March 2002 | 758 | 207 | 689 | 361 | 420 | 2,435 |
| At 31 March 2001 | 30 | 6 | – | 83 | – | 119 |

As at 31 March 2002, net book value of fixed assets held by the Group under finance leases amounted to approximately HK\$689,000 (2001: Nil).

14. Investments in Subsidiaries – Company

| | |
|--|------------------------|
| | 2002 |
| | <i>HK\$'000</i> |
| Investment at cost – unlisted shares (<i>note a</i>) | 107 |
| Amounts due to subsidiaries (<i>note b</i>) | (28) |
| Amount due from subsidiaries (<i>note b</i>) | 19,290 |
| | 19,262 |
| | 19,369 |

Notes to the Accounts

14. Investments in Subsidiaries – Company (Continued)

- (a) The following is a list of the principal subsidiaries of the Company as at 31 March 2002:

| Company | Place and date of incorporation | Issued and fully paid up capital | Attributable equity interest % | Principal activities |
|--|--|----------------------------------|--------------------------------|----------------------|
| Shares held directly:- | | | | |
| Wanasports Group Limited (formerly known as Asset Asia Enterprises Limited) | British Virgin Islands 12 June 2001 | Ordinary US\$10,000 | 100 | Investment holding |
| Shares held indirectly:- | | | | |
| Loyalty Enterprise Limited | Hong Kong 4 February 1998 | Ordinary HK\$100 | 100 | Investment holding |
| Full Class Management Limited | British Virgin Islands 22 February 2001 | Ordinary US\$1 | 100 | Investment holding |
| Wanasports Holdings (B.V.I.) Limited (formerly known as Echannel Developments Limited) | British Virgin Islands 18 May 2001 | Ordinary US\$10,000 | 100 | Investment holding |
| Wanasports (B.V.I.) Limited (formerly known as HKSG Group Media Holdings Limited) | British Virgin Islands 23 April 2001 | Ordinary US\$1 | 100 | Investment holding |
| Ewear Industrial Limited | British Virgin Islands 15 December 2000 | Ordinary US\$1 | 100 | Investment holding |
| Itrade Resources Limited | British Virgin Islands 28 December 2000 | Ordinary US\$1 | 100 | Investment holding |

Notes to the Accounts

14. Investments in Subsidiaries – Company (Continued)

| Company | Place and date of incorporation | Issued and fully paid up capital | Attributable equity interest % | Principal activities |
|--|---------------------------------|----------------------------------|--------------------------------|---|
| Shares held indirectly:- (Continued) | | | | |
| Wanasports Management Services Limited (formerly known as Joyful Rich Limited) | Hong Kong 30 May 2001 | Ordinary HK\$2 | 100 | Holding of a club membership |
| Wanasports International Limited | Hong Kong 30 July 1999 | Ordinary HK\$100,000 | 100 | Franchising of golf apparel product and provision of sports-related information through a website |
| Wanagolf Company Limited (formerly known as Rich Fantasy Limited) | Hong Kong 30 May 2001 | Ordinary HK\$2 | 100 | Retailing of golf apparel products |
| Wanasports E-commerce Company Limited (formerly known as Honest Trader Limited) | Hong Kong 23 May 2001 | Ordinary HK\$2 | 100 | Dormant |

The above includes the subsidiaries of the Company, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

- (b) Amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

15. Inventories – Group

As at 31 March 2002, no inventories were carried at net realisable value (2001: Nil).

Notes to the Accounts

16. Trade Receivables – Group

The following is an aging analysis of trade receivables at the balance sheet date:

| | 2002 | 2001 |
|-------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0-3 months | 10,380 | – |
| 4-6 months | 333 | – |
| 7-12 months | – | – |
| Over 1 year | – | – |
| | 10,713 | – |

It is the Group's policy to make full provision on those trade debts outstanding for more than nine months at year end date and remained unsettled at the date of approval of these accounts.

17. Trade Payables – Group

The following is an aging analysis of trade payables at the balance sheet date:

| | 2002 | 2001 |
|-------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0-3 months | 222 | – |
| 4-6 months | – | – |
| 7-12 months | – | – |
| Over 1 year | – | – |
| | 222 | – |

Notes to the Accounts

18. Obligation Under Finance leases – Group

| | Minimum lease payment | | Present value of minimum lease payment | |
|--|-------------------------|-------------------------|--|-------------------------|
| | 2002 <i>HK\$'000</i> | 2001 <i>HK\$'000</i> | 2002 <i>HK\$'000</i> | 2001 <i>HK\$'000</i> |
| Amount payable | | | | |
| Within one year | 253 | – | 226 | – |
| In the second to fifth year, inclusive | 334 | – | 298 | – |
| | 587 | – | 524 | – |
| Future finance charges | (63) | – | – | – |
| Present value of lease obligations | 524 | – | 524 | – |
| Amount due within one year, included under current liabilities | | | (226) | – |
| | | | 298 | – |

19. Obligation under Other Loan, Secured – Group

| | 2002 <i>HK\$'000</i> | 2001 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Amount payable | | |
| Within one year | 24 | – |
| In the second to fifth year, inclusive | 43 | – |
| | 67 | – |
| Amount due within one year included under current liabilities | (24) | – |
| Amount due after one year | 43 | – |

The loan is secured by a motor vehicle of the Group.

Notes to the Accounts

20. Share Capital

| | Company 2002 HK\$'000 |
|--|--|
| <i>Authorised:</i> | |
| 50,000,000,000 ordinary shares of HK\$0.01 each | 500,000 |
| <i>Issued and fully paid:</i> | |
| 423,000,000 ordinary shares of HK\$0.01 each | 4,230 |
| <p>(a) The Company was incorporated in the Cayman Islands on 21 June 2001 with an authorised share capital of HK\$350,000 divided into 3,500,000 shares of HK\$0.1 each of which 1 share was allotted, issued and fully paid to the subscriber on 21 June 2001.</p> <p>(b) On 29 October 2001, the authorised share capital of the Company which comprises HK\$350,000 was subdivided into 35,000,000 shares of HK\$0.01 each.</p> <p>(c) In preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the following changes in authorised and issued capital of the Company took place on 20 November 2001:</p> <p style="padding-left: 20px;">(i) the authorised share capital of the Company was increased to HK\$500,000,000 by the creation of an additional 49,965,000,000 shares of HK\$0.01 each.</p> <p style="padding-left: 20px;">(ii) as consideration for the acquisition by the Company of the entire issued share capital of Wanasports Group Limited ("WGL"), the holding company of the Group prior to the Reorganisation, an aggregate of 10,655,990 shares of the Company were allotted, issued at par and credited as fully paid to the then shareholders of Wanasports Group Limited or the persons directed by the them.</p> | |

Notes to the Accounts

20. Share Capital (Continued)

- (d) On 11 December 2001, 85,000,000 shares of HK\$0.01 each were issued by way of placing at a price of HK\$0.33 per share (the "Placing") for cash consideration of HK\$28,050,000. The excess over the par value of the shares issued was credited to the share premium account. At the same date, 327,344,000 shares of HK\$0.01 each were allotted, issued at par and fully paid to the shareholders whose names appeared on the register of members of the Company on 20 November 2001 by way of the capitalisation of a sum of HK\$3,273,440 out of the share premium account of the Company arising from the Placing.
- (e) The Company was incorporated on 21 June 2001. There was no issued share capital of the Company as at 31 March 2001. The share capital shown on the consolidated balance sheet as at 31 March 2001 represented the share capital of WGL deemed to have been in issue throughout the year ended 31 March 2001 before the issue of shares of a subsidiary and of WGL to the then shareholders and after the share swap transactions between WGL and its subsidiaries. The difference between nominal value of these shares and the nominal value of shares acquired by WGL is accounted as reserve throughout the accounting periods presented.
- (f) Under the share option scheme (the "Share Option Scheme") of the Company adopted on 20 November 2001, the directors may, at their discretion, invite any employees, executive directors of the Group or any consultants, suppliers or customers of the Group to take up options to subscribe for shares of Company at an exercise price determined by the board of directors and shall not be less than the highest of (i) the closing price of the shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the share on the date of grant. The options are exercisable during the ten years from 11 December 2001 being the listing date of the shares of the Company.

No share options were granted under the Share Option Scheme since its adoption.

Notes to the Accounts

21. Reserves

| | Share premium <i>HK\$'000</i> | Merger reserve <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|--|---------------------------------|
| Group | | | | |
| At 1 April 2000 | – | (29) | (328) | (357) |
| Loss attributable to shareholders | – | – | (2,240) | (2,240) |
| At 31 March and 1 April 2001 | | | | |
| Issue of shares in a subsidiary | 4,995 | – | – | 4,995 |
| Placing of shares (<i>note 20(d)</i>) | 27,200 | – | – | 27,200 |
| Placing and listing expenses | (7,421) | – | – | (7,421) |
| Capitalisation issue (<i>note 20(d)</i>) | (3,274) | – | – | (3,274) |
| Capitalisation of loans from shareholders | 17,919 | – | – | 17,919 |
| Share swap in accordance with Reorganisation | – | (23) | – | (23) |
| Loss attributable to shareholders | – | – | (11,115) | (11,115) |
| At 31 March 2002 | 39,419 | (52) | (13,683) | 25,684 |

The merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired pursuant to the Reorganisation and the nominal value of the Company's shares issued in exchange therefor. For 2001 comparatives, please see note 20(e) to the accounts.

| | Share premium <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|---------------------------------|
| Company | | | |
| Placing of shares (<i>note 20(d)</i>) | 27,200 | – | 27,200 |
| Placing and listing expenses | (7,421) | – | (7,421) |
| Capitalisation issue (<i>note 20(d)</i>) | (3,274) | – | (3,274) |
| Loss for the year | – | (1,369) | (1,369) |
| | 16,505 | (1,369) | 15,136 |

Notes to the Accounts

21. Reserves (Continued)

As at 31 March 2002, the Company's reserve available for distribution amounted to approximately HK\$15,136,000. In accordance with the law of Cayman Islands, the Company's share premium account is distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as they fall due in the normal course of business. The share premium may also be distributed in form of fully paid bonus shares.

22. Deferred Taxation

| | 2002 <i>HK\$'000</i> | 2001 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Transfer from profit and loss account – note 7 | <u>152</u> | <u>–</u> |

The provision for deferred taxation represents the tax effect of timing difference arising from accelerated depreciation allowance. The group had no material unprovided deferred tax as at 31 March 2002 (2001: Nil).

23. Notes to Consolidated Cash Flow Statement

(a) Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities

| | 2002 <i>HK\$'000</i> | 2001 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Operating loss | (10,927) | (2,240) |
| Interest income | (19) | – |
| Depreciation | 805 | 31 |
| Loss on disposal of fixed assets | 36 | – |
| Increase in inventories | (6,011) | – |
| Increase in trade receivables | (10,713) | – |
| Increase in prepayment and deposits | (6,867) | (88) |
| Increase in trade payables, accrued charges and provisions | <u>1,687</u> | <u>115</u> |
| Net cash outflow from operating activities | <u>(32,009)</u> | <u>(2,182)</u> |

Notes to the Accounts

23. Notes to Consolidated Cash Flow Statement (Continued)

(b) Analysis of Changes in Financing Activities

| | Share capital including share premium <i>HK\$'000</i> | Loans from a director and a shareholder <i>HK\$'000</i> | Other loan <i>HK\$'000</i> | Obligations under finance lease <i>HK\$'000</i> |
|--|--|---|-------------------------------|--|
| At 1 April 2000 | 78 | 305 | - | - |
| Addition of loan from a director | - | 2,319 | - | - |
| At 31 March and 1 April 2001 | 78 | 2,624 | - | - |
| Issue of shares of a subsidiary | 4,995 | - | - | - |
| Addition of loans from a director and a shareholder | - | 15,295 | - | - |
| Capitalisation of loans from a director and a shareholder (Note 23(c)(ii)) | 17,919 | (17,919) | - | - |
| Share swap in accordance with Reorganisation | 28 | - | - | - |
| Proceeds from issue of shares | 28,050 | - | - | - |
| New issue and listing expenses | (7,421) | - | - | - |
| Other loan raised | - | - | 94 | - |
| Other loan repaid | - | - | (27) | - |
| Inception of finance lease | - | - | - | 764 |
| Repayment of capital element of finance lease | - | - | - | (240) |
| At 31 March 2002 | 43,649 | - | 67 | 524 |

(c) Major Non-Cash Items

- (i) During the year, the Group entered into finance leases arrangements in respect of assets with a total capital value at the inception of such arrangements of HK\$764,000.
- (ii) During the year, total amount of HK\$17,919,000 due to a director and a shareholder was capitalised by the issue of 2 shares of US\$1 each of Wanasports Group Limited, which was later become a wholly-owned subsidiary of the Company.

Notes to the Accounts

24. Commitments

(i) Commitment under Operating Leases

As at 31 March 2002, the Group had future aggregate minimum lease payments under non-cancelable operating leases in respect of land and building, falling due as follows:-

| | 2002 | 2001 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Not later than one year | 7,663 | – |
| Later than one year but not later than five years | 4,668 | – |
| | 12,331 | – |

(ii) As at 31 March 2002, the Group did not have any material capital commitments.

25. Approval of Accounts

The accounts were approved by the board of directors on 18 June 2002.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Wanasports Holdings Limited (the “Company”) will be held at Regency Room 5&6, 3/F, Hyatt Regency Hong Kong, Hong Kong on 19 July 2002 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31 March 2002.
2. To re-elect the retiring directors and to authorize the board of directors to fix their remuneration.
3. To re-appoint auditors of the Company and to authorize the board of directors to fix their remuneration.
4. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution of the Company:

“THAT:

- (A) subject to paragraph (C) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with (otherwise than by way of rights issue or pursuant to the exercise of options granted under any of the Company’s share option schemes or any scrip dividend scheme or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company pursuant to the articles of association of the Company from time to time) additional shares in the share capital of the Company and to make or grant any offers, agreements and options which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) of this resolution shall be in addition to any other authorization given to the directors and shall authorize the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant any offers, agreements and options which would or might require the exercise of such powers either during or after the end of the Relevant Period (as hereinafter defined);

Notice of Annual General Meeting

- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (A) above shall not exceed 20 per cent of the aggregate nominal value of the issued share capital of the Company at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (D) for the purposes of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting;

"rights issue" means the allotment or issue of shares in the Company or other securities which would or might require shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding for such purpose any shareholder who is resident in a place where such offer is not permitted under the laws of that place) and, where appropriate, the holders of other equity securities of the Company entitled to such offer, pro rata (apart from fractional entitlements) to their existing holdings of shares or such other equity securities."

5. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution:

"THAT:

- (A) subject to paragraph (B) of this resolution, the exercise by the directors of the Company during the Relevant Period (as defined in resolution 4(D) set out in the Notice of this Meeting) of all the powers of the Company to repurchase the issued shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on

Notice of Annual General Meeting

which shares in the capital of the Company may be listed and which is recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the GEM Listing Rules or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved; and

(B) the aggregate nominal amount of shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (A) of this resolution during the Relevant Period (as defined in resolution 4 (D) set out in the Notice of this Meeting) shall not exceed 10 per cent of the aggregate nominal value of the issued share capital of the Company at the date of the passing of this resolution, and the said approval shall be limited accordingly."

6. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution:

"**THAT** conditional upon the passing of resolutions Nos. 4 and 5 (as set out in the Notice of this Meeting), the unconditional general mandate granted to the directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with shares of the Company pursuant to resolution No. 4 (as set out in the Notice of this Meeting) be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such unconditional general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution No. 5 (as set out in the Notice of this Meeting), provided that such extended amount shall not exceed 10 per cent of the aggregate nominal value of the issued share capital of the Company at the date of passing this resolution."

Notice of Annual General Meeting

7. To consider as a special business and, if thought fit, pass with or without amendment, the following resolution as a special resolution:

“**THAT** the Chinese translation of the name of the Company be changed to “威倫堡控股有限公司” for the purpose of identification only.”

The change of Chinese translation of the Company's name will not affect any of the rights of shareholders of the Company. All existing share certificates in issue bearing the former name “威能控股有限公司” will, on and after the change of Chinese translation, continue to be evidence of title to the shares of the Company and will be valid for trading, settlement and delivery for the shares of the Company. No arrangement will be made in respect of exchange of share certificates in the name of “威能控股有限公司” to “威倫堡控股有限公司”.

By Order of the Board

Wanasports Holdings Limited

Wan Chi Keung

Chairman

Hong Kong, 18 June 2002

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. To be valid, the instrument appointing a proxy and (if required by the board of directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power a authority, shall be delivered to the Company's share registrar, Hong Kong Registrars Limited, Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
3. Delivery of an instrument appointing a proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.