

WANA

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威 倫 堡

WANASPORTS HOLDINGS LIMITED

(威 倫 堡 控 股 有 限 公 司 *)

(Incorporated in the Cayman Islands with Limited Liability)

**FIRST QUARTERLY REPORT
2002**

Characteristics of the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

FIRST QUARTER RESULTS (UNAUDITED)

The board (the "Board") of Directors (the "Directors") of Wanasports Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 30 June 2002 (the "period"), together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

		Three months ended 30 June	
		2002	2001
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	4,243	855
Cost of sales		(2,635)	(220)
Gross profit		1,608	635
Other revenues	2	366	7
Selling and distribution expenses		(1,451)	(740)
General and administrative expenses		(3,764)	(2,066)
Operating loss		(3,241)	(2,164)
Finance costs	3	(13)	(24)
Loss before taxation		(3,254)	(2,188)
Taxation	4	0	0
Loss attributable to shareholders		(3,254)	(2,188)
Interim dividend per share		0	0
Loss per share – basic	5	(0.77 cent)	(0.65 cent)

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 (“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 unaudited consolidated results of the Group for the three months ended 30 June 2001 include the results of companies now comprising the Group 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. All significant intra-group transactions and balances have been eliminated on consolidation.

The accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong. The principal accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2002.

2. Turnover and revenue

The Group is engaged in the development of a franchise network for the distribution of golf and leisure apparel and accessory products under the “*Wanasports*” brand name. Revenues recognized during the period are as follows:

	Three months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Turnover		
Sale of goods	<u>4,243</u>	<u>855</u>
Other revenues		
Interest income	2	7
Sundry income	4	0
Service fees from franchisee	<u>360</u>	<u>0</u>
	<u>366</u>	<u>7</u>
Total revenues	<u><u>4,609</u></u>	<u><u>862</u></u>

3. Finance costs

	Three months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Other bank charges	5	6
Interest element of finance leases	<u>8</u>	<u>18</u>
	<u><u>13</u></u>	<u><u>24</u></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 period under review and the corresponding period in 2001.

5. Loss per share

The calculation of the basic loss per share for the three months ended 30 June 2002 is based on the unaudited consolidated loss attributable to shareholders of HK\$3,253,648 (2001: HK\$2,187,870) and the weighted average number of 423,000,000 (2001: 338,000,000) ordinary shares outstanding during the period.

No diluted loss per share for the three months ended 30 June 2002 and the corresponding period in 2001 is presented because there were no dilutive potential ordinary shares in existence during the period.

6. Reserves

	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2001	–	(29)	(2,568)	(2,597)
Loss for the period	–	–	(2,188)	(2,188)
As at 30 June 2001	<u>–</u>	<u>(29)</u>	<u>(4,756)</u>	<u>(4,785)</u>
As at 1 April 2002	39,419	(52)	(13,683)	25,684
Loss for the period	–	–	(3,254)	(3,254)
As at 30 June 2002	<u>39,419</u>	<u>(52)</u>	<u>(16,937)</u>	<u>22,430</u>

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (2001: Nil).

BUSINESS REVIEW

During the three months ended 30 June 2002, turnover of the Group was approximately HK\$4,243,000 (2001: HK\$855,000) and the loss attributable to shareholders was approximately HK\$3,254,000 (2001: HK\$2,188,000). Loss per share was approximately HK0.77 cent (2001: HK0.65 cent). Compared to the same period last year, the substantial increase in turnover proved that the Group was able to adequately apply the celebrity spokespersons endorsement concept into the franchise business model. Significant increase in turnover was achieved through sales by the Group's franchisees' retail outlets channel.

Increase in loss attributable to shareholders reflects the continued efforts of the Group in expanding its infrastructure and marketing and distribution network. During the period under review, the Group put emphasis in building up its product development and quality control and marketing teams to assist its franchisees in penetrating into selected markets. This is in line with the Group's strategy to expand its franchise distribution network and increase the brand awareness of the **"Wanasports"** brand name.

The Group has been affected by the deteriorating retail market sentiment in the Hong Kong territories. Road construction work also affected the business of our flagship store in the Tsimshatusi area. The Directors will closely monitor the situation and will take necessary action if deemed appropriate. The Directors believe that the retail market in Hong Kong will still sustain a depression in the foreseeable future. The Group will cautiously allocate its resources to efficiently assist its franchisees by implementing various promotions and marketing programs. The Group will further strengthen its system in inventory control as well as sales staff training in order to meet the increasing market challenge.

On the other hand, the Group's franchisees recorded satisfactory results from their operations in the People's Republic of China (the "PRC") market. During the period under review, the Group's franchisees have opened retail outlets in Shenzhen and Shanghai respectively. These outlets include retail shops as well as consignment counters. The Group will keep pursuing this strategy by assisting its franchisees in opening more outlets in major cities in the PRC. The Group expects to open more retail outlets in Hangzhou, Guangzhou, Shandong, Dalian and Beijing respectively later this year.

The Group will leverage on the charisma of its celebrity spokespersons in recruiting franchisees and penetrate into selected markets, particularly in the PRC. The Group has also started to open retail outlets in the Singapore through its franchisee.

The Group expands its product lines to also include casual and leisure apparel and increases its accessory product items. The Group has successfully launched its Junior product line in June 2002, which has been very well received by the market.

The Group has been utilising different media channels to promote and market its **"Wanasports"** brand name. This includes participation in franchise and other trade fairs and exhibitions in the PRC, and sponsorship of golf tournaments and other charity functions

in the PRC and in Hong Kong. The Group also continues to promote its products and franchise model through its website and catalogue.

FUTURE PROSPECTS

Market exploration

The Group has successfully launched its products and introduced its franchise business into the PRC market within a relatively short period of time. In order to further penetrate into the PRC market, the Group will keep on assisting its franchisees in establishing various outlets at prime locations in the PRC. The Group is negotiating with its current franchisees as well as other potential candidates to establish further franchise outlets in the PRC and other countries.

The Directors believe that the PRC is a market with the greatest potential especially with its entry into the World Trade Organisation and Beijing being the city to host the 2008 Olympic game. The Group will eye its focus on the PRC market and expands its distribution network in the PRC through its franchisees.

Celebrity spokesperson endorsements

The use of celebrity spokesperson endorsement on the Group's product lines has proved to be an efficient tool to increase the brand awareness of the "**Wanasports**" brand name within a short period of time. The Group will continue to identify and negotiate with potential spokesperson in Hong Kong as well as in the PRC for this purpose.

Diversification of products

The Group is undertaking the development of a new leisure and casual wear product line. The new leisure and casual wear product line will be launched momentarily and the Directors believe that the new product line will have a significant impact on the market. The Group will also continue to improve the diversity of its product range in terms of special features to be made on the existing apparels and accessory items. The Group works closely with its OEM and ODM counterparts and launches products which catch the latest trend of the consumer market.

DIRECTORS' AND CHIEF EXECUTIVE INTEREST IN SHARES AND OPTIONS

As at 30 June 2002, 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 (Note 3)	3,381,000	0.80%

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. Wan Sau Mei resigned as Director on 31 July 2002.

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 were 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 30 June 2002, no option has been granted or agreed to be granted by the Company under the Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, 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 30 June 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 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 ended 30 June 2002, 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, 8 August 2002