

Characteristics of the Growth Enterprise Market (“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.

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This report, for which the directors (the “Directors”) of Wanasports Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. 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.

INTERIM RESULTS (UNAUDITED)

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

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		Six months ended	
		30 September	
	<i>Note</i>	2002	2001
		HK\$'000	HK\$'000
Turnover	2	7,267	1,630
Cost of sales		(4,712)	(953)
Gross profit		2,555	677
Other revenues	2	684	9
Selling and distribution expenses		(324)	(3,715)
General and administrative expenses		(13,886)	(3,633)
Operating loss		(10,971)	(6,662)
Finance costs	3	(23)	(50)
Loss before taxation	4	(10,994)	(6,712)
Taxation	5	-	-
Loss attributable to shareholders		(10,994)	(6,712)
Interim dividend per share	6	-	-
Loss per share – basic	7	(2.60 cents)	(1.91 cents)

CONSOLIDATED BALANCE SHEET

		As at	
		30 September 2002 HK\$'000	31 March 2002 HK\$'000
	Note		
Non-current assets			
Fixed assets		1,751	2,435
Club membership		288	288
		<u>2,039</u>	<u>2,723</u>
Current assets			
Inventories		4,924	6,011
Accounts receivables	8	12,746	10,713
Prepayments, deposits and other receivables		1,012	6,955
Cash and bank balances		2,030	6,097
		<u>20,712</u>	<u>29,776</u>
Current liabilities			
Accounts payables	9	2,799	222
Accruals and provisions		418	1,620
Current portion of obligations under finance leases	10	231	226
Other loans, secured	11	24	24
		<u>3,472</u>	<u>2,092</u>
Net current assets/(liabilities)		<u>17,240</u>	<u>27,684</u>
Total assets less current liabilities		<u>19,279</u>	<u>30,407</u>
Long term liabilities			
Long term portion of obligation under finance leases	10	169	298
Long term portion of Other loans, secured	11	42	43
Deferred taxation	12	152	152
		<u>18,916</u>	<u>29,914</u>
Capital and reserves			
Share capital		4,230	4,230
Reserves		14,686	25,684
Shareholders' funds/(capital deficiency)		<u>18,916</u>	<u>29,914</u>

CONSOLIDATED CASH FLOW STATEMENTS

		Six months ended	
		30 September	
	<i>Note</i>	2002	2001
		HK\$'000	HK\$'000
Net cashflow from operating activities	14	(3,506)	(10,207)
Returns on investments and servicing of finance			
Interest received		4	9
Interest element of finance leases		(15)	(15)
Net cash outflow from returns on investments and servicing of finance		(11)	(6)
Investing activities			
Purchase of fixed assets		(425)	(2,435)
Acquisition of club membership		-	(288)
Net cash outflow from investing activities		(425)	(2,723)
Net cash outflow before financing activities		(3,942)	(12,936)
Financing activities			
Share monies received		-	5,000
Additions of loan from a director and a shareholder		-	9,126
New other loan raised		-	(371)
Capital element of finance lease payable		(125)	(728)
Net cash inflow/(outflow) from financing activities		(125)	13,027
Increase/(decrease) in cash and cash equivalents		(4,067)	91
Cash and cash equivalents at beginning of period		6,097	53
Cash and cash equivalents at end of period		2,030	144
Analysis for balance of cash and cash equivalents			
Cash and bank balances		2,030	144

STATEMENT OF CHANGE IN EQUITY

Six months ended 30 September 2002

	Share Capital HK\$'000	Share Premium HK\$'000	Merger Reserve HK\$'000	Share Application Money received HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
As at 1 April 2001	78	-	(29)	-	(2,568)	(2,519)
Loss for the period	-	-	-	5,000	(6,712)	(1,712)
As at 30 September 2001	<u>78</u>	<u>-</u>	<u>(29)</u>	<u>5,000</u>	<u>(9,280)</u>	<u>(4,231)</u>
As at 1 April 2002	4,230	39,419	(52)	-	(13,683)	29,914
Loss for the period	-	-	(4)	-	(10,994)	(10,998)
As at 30 September 2002	<u>4,230</u>	<u>39,419</u>	<u>(56)</u>	<u>-</u>	<u>(24,677)</u>	<u>18,916</u>

NOTES TO FINANCIAL STATEMENTS

1. Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands on 21 June 2001 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's share on GEM, 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 on 11 December 2001.

The unaudited consolidated results of the Group for the six months ended 30 September 2002 include the results of the companies now comprising the Group as if the current group structure had been in existence through 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 unaudited condensed interim financial statements of the Group have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and basis of presentation used in interpreting of these unaudited interim financial statements are the same as those used in the Group's annual financial statements for the year ended 31 March 2002, except that the Group has adopted the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financing reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

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 recognised during the period are as follows:

	Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Turnover		
Sale of goods	<u>7,267</u>	<u>1,630</u>
Other revenues		
Interest income	5	9
Sundry income	5	-
Service fees from franchisee	<u>674</u>	<u>-</u>
	<u>684</u>	<u>9</u>
Total revenues	<u>7,951</u>	<u>1,639</u>

3. Finance costs

	Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Other bank charges	8	35
Interest element of finance leases	<u>15</u>	<u>15</u>
	<u>23</u>	<u>50</u>

4. Operating loss

The operating loss is stated after charging the following:-

	Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Cost of inventories sold	4,712	1,327
Depreciation – owned assets	258	288
Depreciation – leased assets	90	42
Staff cost		
– basic salaries and allowances	4,757	1,863
– retirement scheme contributions	<u>177</u>	<u>27</u>

5. 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.

6. Interim dividend

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

7. Loss per share

The calculation of the basic loss per share for the six months ended 30 September 2002 is based on the unaudited consolidated loss attributable to shareholders of HK\$10,994,000 and (2001: HK\$6,712,000) and the weighted average number of 423,000,000 (2001: 350,655,555) ordinary shares outstanding during the period.

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

8. Accounts receivables

Accounts receivables represents trade receivables from sale of goods and other receivables from major franchisees. The following is an aging analysis of accounts receivables at the balance date:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
0-3 months	7,788	10,380
4-6 months	4,958	333
7-12 months	-	-
over 1 year	-	-
	<u>12,746</u>	<u>10,713</u>

9. Accounts payables

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

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
0-3 months	2,799	222
4-6 months	-	-
7-12 months	-	-
over 1 year	-	-
	<u>2,799</u>	<u>222</u>

10. Obligation under finance lease – Group

	Minimum lease payment		Present Value of minimum lease payment	
	30 September 2002 HK\$'000	31 March 2002 HK\$'000	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Amount payable				
Within one year	252	253	231	226
In second to fifth year inclusive	198	334	169	298
	<u>450</u>	<u>587</u>	<u>400</u>	<u>524</u>
Future finance charge	(50)	(63)	-	-
Present value of lease obligations	<u>400</u>	<u>524</u>	<u>400</u>	<u>524</u>
Amount due within one year, included under current liabilities			<u>(231)</u>	<u>(226)</u>
			<u>169</u>	<u>298</u>

11. Obligation under other loans, secured

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Amount payable		
Within one year	24	24
In second to fifth year inclusive	42	43
	<u>66</u>	<u>67</u>
Amount due within one year, included under current liabilities	<u>(24)</u>	<u>(24)</u>
	<u>42</u>	<u>43</u>

12. Deferred taxation

	2002 HK\$'000	2001 HK\$'000
As at 1 April 2002	152	-
Transfer from profit and loss account	-	152
	<u>152</u>	<u>152</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 30 September 2002 (2001: Nil).

13. Operating lease commitments

- (i) Commitment under operating leases

As at 30 September 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and building, falling due as follows:-

	2002 HK\$'000	2001 HK\$'000
Not later than one year	300	7,663
Later than one year but not later than five Years	275	4,668
	<u>575</u>	<u>12,331</u>

- (ii) As at 30 September 2002, the Group did not have any material capital commitments.

14. Notes to consolidated cash flow statements

Reconciliation of operating loss to net cash outflow from operation activities:-

	30 September 2002 HK\$'000	2001 HK\$'000
Operating loss	(10,970)	(6,040)
Interest income	5	9
Depreciation	348	330
Loss on disposal of fixed assets	738	-
Decrease/(increase) in inventories	1,087	(7,582)
Decrease/(increase) in trade receivables	(2,033)	(442)
Decrease/(increase) in prepayment and deposits	5,943	(2,930)
Increase/(decrease) in trade payables, accrued charges and provisions	1,376	6,448
	<u>(3,506)</u>	<u>(10,207)</u>

BUSINESS REVIEW

During the six months ended 30 September 2002, turnover of the Group was approximately HK\$7,267,000 (2001: HK\$1,630,000) and the loss attributable to shareholders was approximately HK\$10,994,000 (2001: HK\$6,712,000). Loss per share was approximately HK2.60 cents (2001: HK1.91 cents). 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 in Hong Kong and in the People's Republic of China (the "PRC").

As stated in the first quarter results announcement of the Company on 8 August 2002 and the business update announcement of the Company on 22 October 2002 (the "Announcements"), the direction of the Group is to expand its distribution network in the PRC in view of the opportunities in the PRC market and weak retail market in Hong Kong. As a result, substantial resources of the Group have been shifted from Hong Kong to the PRC market. The franchisees of the Group have opened retail outlets in Shenzhen, Guangzhou and Shanghai respectively. The Group will keep on assisting its franchisees to establish various outlets at prime locations in the PRC.

With more emphasis placed on the development in franchising business in the PRC, the Group intends to maintain its presence in Hong Kong mainly for achieving publicity. The Group will continue to conduct promotional activities in both Hong Kong and the PRC. Since August 2002, certain retail shops and franchisee outlets in Hong Kong have been closed down in light of the weaker retail market sentiment in Hong Kong.

The termination of the Group's flagship store in Tsimshatsui was principally due to poor retail business environment and the adverse effects of the nearby construction work. The Group is also negotiating with the landlord in respect of the early termination of the Group's retail store in Tsimshatsui. As at the date hereof, the parties are negotiating and have yet to reach agreement on the terms of the early termination of the tenancy arrangement. The landlord is also claiming the Group in respect of rentals and charges in arrears in respect of HK\$498,560 for August and September 2002, which the Directors consider should be offset by the three month deposits paid to the landlord.

To date, the Group maintains thirteen franchisee outlets, ten of which are consignment counters in the PRC, two are retail shops in the PRC and one is a retail shop in Hong Kong. The franchisee outlet in Hong Kong is located in Causeway Bay and was opened in March 2002.

There are some major changes in the business plans of the Group, which have been determined after careful studies of the market environment, including suspension of certain product line, more emphasis will be placed on garment products over accessories products, reduction of the number of spokesmen and suspension of the launching of the online trading through web sites, further details of which have been set out in the Announcements.

FUTURE PROSPECTS

The Hong Kong retail market is continuing to be very weak. The Directors consider that a change of the Group's business strategy is essential in order to cope with ever-deteriorating economic climate in Hong Kong. The Directors consider the following future business plan to be in the best interests of the Group:

1. The market focus is on the PRC market instead of Hong Kong and PRC. This is reflected by shifting most of the Group's available resources from Hong Kong to the PRC market.
2. The Group will focus more on leisure and casual wear garment products, which is considered to be more marketable. Other types of product lines will be phased out gradually.
3. The organisation structure of Hong Kong office will be kept at a minimum in order to minimise the Group's operating overhead costs.
4. The Group will try to maintain the current level of business activities without any significant growth at the moment until the general economy recovers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and financial resources

The Group generally finances its operations and investing activities with internally generated cash flow and the balance of proceeds from the Company's initial public offering in December 2001.

As at 30 September 2002, the Group's bank and cash balance was approximately HK\$2 million. During the six months ended 30 September 2002, the Group utilised HK\$4 million to finance its operations and acquisitions. A summary of the liquidity position of the Group as at 30 September 2002 is as follows:-

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Current assets	20,712	29,776
Current liabilities	3,472	2,092
Net current assets/(liabilities)	<u>17,240</u>	<u>27,684</u>

The Group's gearing ratio was 0.19 as at 30 September 2002 (31 March 2002: 0.08). Gearing ratio is calculated as current liabilities and long term portion of obligation under finance lease and other secured loan to total equity.

Foreign exchange exposure

The Group did not employ any financial instruments for hedging purposes and the exchange rate risk of the Group is considered to be minimal.

Capital structure

The Group did not have any material changes in its capital structure since the Company's initial public offering in December 2001.

Charges on Group assets

Certain Group assets are pledged to banks and financial institutions as security for general banking facilities granted to the Group. As at 30 September 2002, the pledged assets of the Group included fixed assets of approximately HK\$0.6 million.

Contingent liabilities

The Group did not have any contingent liabilities as at 30 September 2002.

Capital commitments

The Group had no commitment for future material investment as at 30 September 2002.

Employee information

For the six months ended 30 September 2002, employee costs, excluding Directors' emoluments, totalled HK\$4.7 million. The Group operates a mandatory provident fund scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for all eligible employees of the Group 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 contributions to the MPF scheme charged to the profit and loss account during the period amounted to approximately HK\$177,000 (2001: 124,000)

Significant investments and acquisitions

The Group did not make any material acquisition or disposal of subsidiaries and affiliated companies during the six month ended 30 September 2002.

As at 30 September 2002, the Group had no significant investments.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

	Business objectives as stated in the Prospectus	Actual business progress
Product development	To obtain information on market trend of new spring/summer collection and commence design of such collection	This is in line with the Group's plans
<i>Menswear/Womenswear</i>	Commence and complete design for new fall/winter collection of each product line	New fall/winter collection for 2002 was ordered and delivered in August and September 2002
	Commence and complete the design of new items for the new season range of the Chi-Mask collection	The plan of the Chi-Mask collection was abandoned
	Commence and finalise concept and commence design of 30 new product styles for men and women	The Group has designed 63 different styles of men and women wear for the fall/winter 2002 seasons
<i>Kidswear</i>	Complete design of a new range of kidswear	The kidswear product line was abandoned
<i>Familywear</i>	Commence the design of a new line of apparel for families	The Group will be focusing more on leisurewear for women
<i>Accessory items</i>	Commence and complete design of at least 2 new designs of golf shoes	The Group will phase out the accessory items in the near future to enable it to be more focused in the marketing of leisure and casual wear
	Complete design of at least 3 accessories items for kids such as travelling bag, golf bag and golf equipment	The Group will phase out the accessory items in the near future to enable it to be more focused in the marketing of leisure and casual wear
<i>Personal care products</i>	Finalise selection of items for new line of personal care products	The Group will phase out the personal product line in the near future to enable it to be more focused in the marketing of leisure and casual wear

	Business objectives as stated in the Prospectus	Actual business progress
<i>Overall production</i>	Commence production of all new products	Except for the Chi-Mask collection series and the kidswear product line, all other productions are on schedules
<i>Distribution</i>	Identify and negotiate with potential franchisees in new target markets such as Japan, Korea and Indonesia	For the period under review and in the near future, the Group has been and will be focusing on the PRC market. The research conducted on the other areas have been limited
	Appoint new franchisees to expand franchise network in existing and new target markets	For the period under review and in the near future, the Group has been and will be focusing on the PRC market. The research conducted on the other areas have been limited
	Continue to negotiate with pro-shops as in previous period	All pro-shops in Hong Kong have been closed
	New franchisee outlets: 18	Franchisee outlets were opened and closed during the period. As at 30 September 2002, there were 13 franchisee outlets located in Shanghai, Guangzhou, Shenzhen and Hong Kong, 10 of which are consignment counters
	Total number of franchisee outlets: 23	Total number of franchisee outlets in Hong Kong and the PRC: 13
	New consignment counters at pro-shops: 4	All pro-shops consignment counters in Hong Kong have been closed
<i>Sales and marketing</i>	Launch of new lines of kidswear and Chi-Mask collection	Total number of consignment counters at pro-shops: 9 Total number of consignment counters in the PRC: 10 The kidswear product line and the Chi-Mask collection were abandoned

	Business objectives as stated in the Prospectus	Actual business progress
	Launch of new series of golf shoes	The Group will phase out the accessory items in the near future to enable it to be more focused in the marketing of leisure and casual wear
	Launch of new line of personal care products	The Group will phase out the accessory items in the near future to enable it to be more focused in marketing of leisure and casual wear
	Appoint 2 new spokespersons for new product lines to be launched	Number of spokesmen has been reduced to three to save costs
	Continue to identify other new spokespersons	Number of spokesmen has been reduced to three. Additional spokespersons will only be identified when the general retail market recovers
	Sponsor local and/or overseas golf tournaments	The Group has ceased all sponsorship to save costs since September 2002
	Roll out global membership program for golfers	The Group has abandoned such plan
	Continue to promote the franchise scheme by holding seminars and through the website	Due to the recent changes in the Group's marketing direction, the Group has been focusing on promotion to direct franchisee contact and trade show and exhibitions appearance in the PRC
	Continue to participate in trade shows and exhibitions to create market awareness	This is in line with the Group's plan
	Publish merchandise catalogue for collections	The fall/winter collection catalogue was printed and distributed in August 2002
Business development	Finalise the details on the functions which will enable its website to become an online sales channel	The online trading system was suspended. The Group's website will remain for informative and promotional purposes only

COMPARISON OF USE OF PROCEEDS

The Group raised net proceeds of approximately HK\$19 million during the Company's initial public offering in December 2001.

Since the Company's shares got listed on GEM in December 2001 and up to 30 September 2002, details of the application of the net proceeds are as follows:

	Amount to be used up to 30 September 2002 as disclosed in the Prospectus <i>(HK\$' million)</i>	Actual approximate amount used up to 30 September 2002 <i>(HK\$' million)</i>
Product development	1.1	0.5
Promotion and marketing	7.0	2.7
Distribution	0.2	0.2
Business development	0.7	0.6
General working capital	-	13.0
Total	9.0	17.0

As set out in the Prospectus, it was originally planned that approximately HK\$9.0 million would be used up to 30 September 2002. However, as set out above, up to 30 September 2002, approximately HK\$13 million has been used as the Group's general working capital, and approximately HK\$4 million has been used on marketing, promotional and other business development activities. The Directors consider that the net proceeds have been used in areas which are in the Group's ordinary course of business. As at 30 September 2002, approximately HK\$2 million of the net proceeds from the Company's initial public offering remained unused, which has been placed as bank deposits.

DIRECTORS' AND CHIEF EXECUTIVE INTEREST IN SHARES AND OPTIONS

As at 30 September 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 Stock 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 <i>(Note 1)</i>	161,756,000	38.24%
Mr. Chiu Chun Hung	Corporate <i>(Note 2)</i>	124,990,000	29.55%
Mr. Yam Tat Wah	Corporate <i>(Note 3)</i>	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. Chiu Chun Hung held these shares through Even More Profits Limited, a company in which Mr. Chiu Chun Hung holds 100% of its issued share capital.

Note 3: 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.

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 September 2002, no options has been granted or agreed to be granted by the Company under the Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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

As at 30 September 2002, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had 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 September 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 six months ended 30 September 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.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Directors are of the opinion that the Company has complied with the Code of Best Practice as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the Company's listing on GEM in December 2001.

By order of the Board
Wan Chi Keung
Chairman

Hong Kong, 13 November 2002