

WANA

S p o r t s

威 倫 堡

WANASPORTS HOLDINGS LIMITED

(威 倫 堡 控 股 有 限 公 司 *)

(Incorporated in the Cayman Islands with Limited Liability)

**THIRD QUARTERLY REPORT
2002**

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.

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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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 (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 nine months and three months ended 31 December 2002, together with the comparative figures for the corresponding periods in 2001 as follows:-

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Note	Nine months ended 31 December		Three months ended 31 December	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	8,790	3,999	1,523	2,369
Cost of sales		(5,775)	(2,281)	(1,063)	(1,328)
Gross profit		3,015	1,718	460	1,041
Other revenues		10	140	5	131
Selling and distribution expenses		(346)	(6,423)	(22)	(2,708)
General and administrative expenses		(15,130)	(6,313)	(1,923)	(2,640)
Operating loss	3	(12,451)	(10,878)	(1,480)	(4,176)
Finance cost	4	(34)	(66)	(11)	(16)
Loss before taxation		(12,485)	(10,944)	(1,491)	(4,192)
Taxation	5	-	-	-	-
Loss attributable to shareholders		(12,485)	(10,944)	(1,491)	(4,192)
Interim dividend per share	6	-	-	-	-
Loss per share - basic	7	(2.95) cents	(3.19) cents	(0.35) cents	(1.17) cents

STATEMENT OF CHANGES IN EQUITY AND RESERVES

Nine months ended 31 December 2002

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
As at 1 April 2001	78	-	(29)	(2,568)	(2,519)
Share issued	4,152	39,419	-	-	43,571
Loss for the period	-	-	(253)	(10,944)	(11,197)
	<u>4,230</u>	<u>39,419</u>	<u>(282)</u>	<u>(13,512)</u>	<u>29,855</u>
As at 31 December 2001	<u>4,230</u>	<u>39,419</u>	<u>(282)</u>	<u>(13,512)</u>	<u>29,855</u>
As at 1 April 2002	4,230	39,419	(52)	(13,683)	29,914
Loss for the period	-	-	(15)	(12,485)	(12,500)
	<u>4,230</u>	<u>39,419</u>	<u>(67)</u>	<u>(26,168)</u>	<u>17,414</u>
As at 31 December 2002	<u>4,230</u>	<u>39,419</u>	<u>(67)</u>	<u>(26,168)</u>	<u>17,414</u>

NOTES TO THE 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 shares (the "Shares") on GEM, the Company became the holding company of the Group on 20 November 2001. Further details of the Reorganisation are set forth in the prospectus of the Company dated 4 December 2001 (the "Prospectus"). The Shares were listed on GEM on 11 December 2001.

The unaudited consolidated results of the Group for the nine months ended 31 December 2002 include the results of the companies now comprising the Group. 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 recognised during the period are as follows:-

	Nine months ended 31 December		Three months ended 31 December	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover				
Sale of goods	8,790	3,999	1,523	2,369
Other revenues				
Sundry income	10	140	5	131
Total revenues	<u>8,800</u>	<u>4,139</u>	<u>1,528</u>	<u>2,500</u>

3. Operating loss

The operating loss is stated after charging the following:-

	Nine months ended 31 December		Three months ended 31 December	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Cost of inventories sold	5,775	2,281	1,063	1,328
Depreciation				
– owned assets	317	134	57	45
Depreciation				
– leased assets	130	44	42	24
Loss on disposal fixed assets	1,023	–	294	–
Bad debts written off	1,670	–	11	–
Staff cost				
– basic salaries and allowances	5,820	3,653	1,063	1,187
– retirement scheme contributions	221	113	44	38
	<u>5,775</u>	<u>2,281</u>	<u>1,063</u>	<u>1,328</u>
	<u>317</u>	<u>134</u>	<u>57</u>	<u>45</u>
	<u>130</u>	<u>44</u>	<u>42</u>	<u>24</u>
	<u>1,023</u>	<u>–</u>	<u>294</u>	<u>–</u>
	<u>1,670</u>	<u>–</u>	<u>11</u>	<u>–</u>
	<u>5,820</u>	<u>3,653</u>	<u>1,063</u>	<u>1,187</u>
	<u>221</u>	<u>113</u>	<u>44</u>	<u>38</u>

4. Finance costs

	Nine months ended 31 December		Three months ended 31 December	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Interest on bank loans and overdrafts	10	45	3	10
Interest element of finance leases	24	21	8	6
	<u>34</u>	<u>66</u>	<u>11</u>	<u>16</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 nine months and three months ended 31 December 2002 is based on the unaudited consolidated loss attributable to shareholders of HK\$12,485,000 and HK\$1,491,000 (2001: HK\$10,994,000 and HK\$4,192,000) and the weighted average number of 423,000,000 and 423,000,000 (2001: 344,327,778 and 356,983,333) ordinary shares outstanding during the period. No diluted loss per share for the nine months and three months ended 31 December 2002 and the corresponding period in 2001 is presented because there were no dilutive potential ordinary shares in existence during the period.

BUSINESS REVIEW

During the nine months ended 31 December 2002, turnover of the Group was approximately HK\$8,790,000 (2001: HK\$3,999,000) and the loss attributable to shareholders was approximately HK\$12,485,000 (2001: HK\$10,994,000). Loss per share was approximately HK2.95 cents (2001: HK3.19 cents). The increase in turnover for the nine months ended 31 December 2002 as compared to the same period last year reflects the ability of the Group in applying the celebrity spokespersons endorsement concept into the franchise business model and the results of revised pricing strategy. The increase in turnover was achieved through sales by the Group's franchisees' retail outlets channel in Hong Kong and The People's Republic of China (the "PRC").

As stated in the business update announcement of the Company on 22 October 2002 and the second quarter results announcement of the Company on 14 November 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 and a number of retail outlets in Hong Kong had been closed.

Gross margin has, however, decreased. This coupled with the increase in fixed overheads, has resulted in the increase in operating loss and loss attributable to shareholders for the nine months ended 31 December 2002.

Operating cashflow of the Group for the nine months ended 31 December 2002 was still negative, same as the corresponding period last year. Having considered its financial position, the Group is in the preliminary stage of exploring different viable financing alternatives with a view to improving its cash position.

FUTURE PROSPECTS

The Group is expected to continue to maintain the current level of business activities without any significant growth at the moment until the general economy recovers. In addition, in view of the unsatisfactory performance of some of the sales outlets, the Group has closed down all the consignment counters in the PRC in the quarter ended 31 December 2002. As at 31 December 2002, the Group has one franchisee shop in Hong Kong, one franchisee shop in Shenzhen, one franchisee shop in Guangzhou and two franchisee shops in Shanghai. Subsequent to the period end date, the Group has further closed down two franchisee shops in Shanghai in January and February 2003 respectively.

The Directors consider that the close down of such non-profitable sales outlets are beneficial to the Group because the Group would be able to devote more resources to the existing sales outlets and would continue to explore, together with its franchisees, other new outlets which are considered profitable.

DIRECTORS' AND CHIEF EXECUTIVE INTEREST IN SHARES AND OPTIONS

As at 31 December 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 forth in the subsection headed "Share Option Scheme" in Appendix IV to the Prospectus. As at 31 December 2002, no option has been granted or agreed to be granted by the Company under the Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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 31 December 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 ("DBS Asia"), as at 31 December 2002, neither DBS Asia 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, DBS Asia 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 nine months ended 31 December 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 compiled 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, 11 February 2003