



WANA
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威 倫 堡

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

(Incorporated in the Cayman Islands with limited liability)

Annual Report
2003

* For Identification Only

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.

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.





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CORPORATE INFORMATION

Executive Directors

Mr. Wan Chi Keung
Mr. Yam Tat Wah
Mr. Chiu Chun Hung

Independent Non-executive Directors

Ms. Chung Siu Lung
Mr. Kan Wing Fai Terry

Company Secretary

Mr. Chan Kwok Choi, B.Ec, AHKSA

Qualified Accountants

Mr. Chan Kwok Choi, B.Ec, AHKSA

Compliance Officer

Mr. Wan Chi Keung

Principal Bankers

Hang Seng Bank Limited

Auditors

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

Sponsor

DBS Asia Capital Limited

Audit Committee

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

Authorised Representatives

Mr. Wan Chi Keung
Mr. Chan Kwok Choi

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 Queens' Road East
Wan Chai
Hong Kong

Registered Office

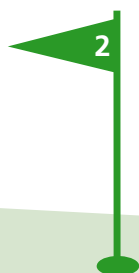
Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business

Unite 2004, 20/Floor
Charmay Centre
12 Ka Hing Road
Kwai Chung
New Territories
Hong Kong

Website

<http://www.wanasports.net>



CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Wanasports Holdings Limited (the "Company"), I hereby present the annual audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2003.

Financial Results

During the year under review, the Group recorded a turnover of approximately HK\$9,482,000, as compared to approximately HK\$13,319,000 for the last financial year. Net loss for the same period amounted to approximately HK\$28,856,000, as compared to last year's net loss figure of approximately HK\$11,115,000 and loss per share attributable to shareholders was approximately HK6.82 cents.

The losses for the year was mainly attributable to the writing off of the accounts receivables from the franchisees of approximately HK\$11 million and the inventory of the Group of approximately HK\$3.7 million as a result of the rapidly deteriorating retail business environment. The unexpected wide spreading of SARS in Hong Kong and in the PRC is the salt into the wounds.

Generally, the global economy slipped into recession during 2002 and the early part of 2003, and coupled with the sluggish Hong Kong retail market, this has inevitably affected the operating environment of the Group's business and has forced the Group to re-examine and to re-develop its business plan under the prevailing business climate.

Dividend

The Board does not recommend the payment of final dividend in respect of the year ended 31 March 2003.

Business Review

During the period, the severely sluggish retail operation environment in Hong Kong adversely affected the franchising business of the Group. As announced in the announcements of the Company dated 21 February 2003, 11 March 2003 and 15 April 2003, all of the franchisee outlets of the Group in Hong Kong closed during the period.

The Group saw opportunities in its franchising business in the People's Republic of China (the "PRC") and expanded its operations in the PRC during the period. However, as it is typical with retail businesses, some of the shops opened by the franchisees were not successful due partly to the location of the shops and partly to the acceptance of the products. Towards the later part of the period, only one franchisee was operating retail outlets of the Group in the PRC.

The Group undertook analysis during the period as to its product mix and have substantially changed such mix by placing more emphasis on the garment products over accessories products for the franchisee retail shops. Such changes unfortunately were unable to be implemented in full due to the downturn in the general economy and the severe effects on the retail market caused by the wide spreading of SARS started in March 2003.

CHAIRMAN'S STATEMENT

The Group continued to work with its franchisees to identify suitable locations for the opening of further outlets in the PRC during the period but no new favourable locations were found since May 2002. The Group has also been unable to attract new franchisees to join its distribution network.

While the Group has built up its brand name by leveraging on its celebrity human capital, due to the sluggish operating environment, the Group has reduced its spending on retaining its celebrity spokespersons to further build up its brand name.

The Group worked hard during the period to restructure its costs base and reduce its operating overheads, which has contributed towards strengthening the Group's financial condition going forward.

Appreciation

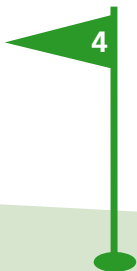
I would like to take this opportunity to thank the Directors, our management and staff for their dedications and full commitments, and our franchisees, vendors, valued customers, banks and shareholders for their continued supports.

By order of the Board

Wan Chi Keung

Chairman

25 June 2003



MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Review

Results

The audited consolidated turnover of the Group for the year ended 31 March 2003 was approximately HK\$9,482,000. The decrease in revenue of the Group was attributable to the ever-deteriorating economic climate in both PRC and Hong Kong encountered during the year.

The audited loss attributable to shareholders of the Group and loss per share for the year ended 31 March 2003 were approximately HK\$28,856,000 and approximately HK6.82 cents, respectively.

Financial Resources and Liquidity

As at 31 March, 2003, shareholders' interest of the Group amounted to approximately HK\$1,058,000. Current assets amounted to approximately HK\$1,374,000, of which approximately HK\$1,186,000 were cash and bank deposits. The Group had current liabilities of HK\$924,000, which mainly comprised accruals and other deposits. The net asset value per share was approximately HK\$0.0025.

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 does not have any material changes in the capital structure since the Company's listing on GEM in December 2001.

Charges on Group Assets

Certain Group assets are pledged to banks as security for general banking facilities granted to the Group. As at 31 March 2003, the pledged assets of the Group included fixed deposit of approximately HK\$33,000.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 March 2003.

Material Acquisitions and Disposals

There was no material acquisition or disposal of subsidiaries or affiliated companies during the year ended 31 March 2003.

Employee Information

During the year ended 31 March 2003, employee costs, excluding Director's emoluments, totalled approximately HK\$4.8 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

As at 31 March 2003, the Group has two full time employees. The Directors believe that the Group has maintained a good relationship with its employees.

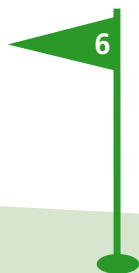
Future Plans and Prospects

Looking ahead, due to the continued economic downturn, the Group has been reviewing its business strategy.

Currently, only two retail outlets operated by franchisees in the PRC are maintained.

As announced by the Group on 23 April 2003, the Group is now exclusively contracted to assist and advise The Stellar Group Limited in its plans to engage in the management of sportspeople and holding sports events in the PRC. The Group will focus on building up its "Wanasports" brand name by leveraging on experience and reputation of The Stellar Group Limited.

The financial condition of the Group is healthy and the Group will explore new business opportunities with the support of the sound financial condition of the Group. However, the Group will try to minimize its operating overhead costs and take a measured approach on investing in expansion of business activities until the general economy recovers.



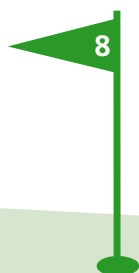
COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS*From 1 October 2002 to 31 March 2003*

	Business objectives as stated in the Prospectus dated 4 December 2001 (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 was in line with the Group's plan
<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 <i>Chi-Mask</i> collection	The plan of the <i>Chi-Mask</i> collection was abandoned
	Commence and finalise concept and commence design of 30 new product styles for men and women	The Group 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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

From 1 October 2002 to 31 March 2003

	Business objectives as stated in the Prospectus dated 4 December 2001 (the "Prospectus")	Actual business progress
<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	See above
<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
<i>Overall production</i>	Commence production of all new products	Except for the <i>Chi-Mask</i> collection series and the kidswear product line, all other production are on schedules



COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

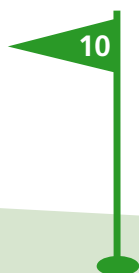
From 1 October 2002 to 31 March 2003

	Business objectives as stated in the Prospectus dated 4 December 2001 (the "Prospectus")	Actual business progress
Distribution	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 year. As at 31 March 2003, there were 2 franchisee outlets, 1 in Guangzhou and 1 in Shenzhen.
	Total number of franchisee outlets: 23	Total number of franchisee outlets in the PRC: 2
	New consignment counters at pro-shops: 4	All pro-shops consignment counters in Hong Kong have been closed
	Total number of consignment counters at pro-shops: 9	All pro-shops consignment counters at pro-shops have been closed

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

From 1 October 2002 to 31 March 2003

	Business objectives as stated in the Prospectus dated 4 December 2001 (the "Prospectus")	Actual business progress
Sales and marketing	Launch of new lines of kidswear and Chi-Mask collection	The kidswear product line and the <i>Chi-Mask</i> collection were abandoned
	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	No new spokesman was appointed
	Continue to identify other new spokespersons	No new spokesman was appointed
	Sponsor local and/or overseas golf tournaments	The Group has ceased all sponsorship in order to save costs since September 2002
	Roll out global membership program for golfers	The Group has abandoned such plan



COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

From 1 October 2002 to 31 March 2003

Business objectives as stated in the Prospectus dated 4 December 2001 (the "Prospectus")	Actual business progress
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 was in line with the Group's plan
Publish merchandise catalogue for collections	This was in line with the Group's plan
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 BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

From 1 October 2002 to 31 March 2003

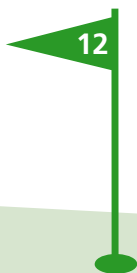
Comparison of Use of Proceeds

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 31 March 2003, details of the application of the net proceeds are as follows:-

	Amount to be used up to 31 March 2003 as disclosed in the Prospectus <i>(HK\$' million)</i>	Actual approximate amount used up to 31 March 2003 <i>(HK\$' million)</i>
Product development	2.5	0.5
Promotion and marketing	9.8	2.7
Distribution	0.3	0.2
Business development	1.1	0.6
General working capital	-	14.0
Total	13.7	18.0

As set out in the Prospectus, it was originally planned that approximately HK\$13.7 million would be used up to 31 March 2003. However, as set out above, up to 31 March 2003, approximately HK\$14 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 31 March 2003, approximately HK\$1 million of the net proceeds from the Company's initial public offering remained unused, which has been placed as bank deposits.



PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wan Chi Keung, aged 47, 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 48, 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 and 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.

Mr. Chiu Chun Hung, aged 38 is an executive Director of the Group. Mr. Chiu has accumulated years of experience in management and in the entertainment industry and currently involved in the day-to-day operations of the Company. He is assisting Mr. Wan Chi Keung in business development. He joined the Group in September 2002.

Independent Non-executive Directors

Ms. Chung Siu Lung, aged 36, is a solicitor of the High Court of Hong Kong and an admitted solicitor of the Supreme Court of England and Wales. 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 also 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.

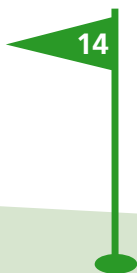
Mr. Kan Wing Fai Terry, aged 27, is a practising barrister in Hong Kong. He was called to the Hong Kong Bar in 1999. Mr. Kan graduated from Imperial College, London in 1997 with a Bachelor's Degree in Electrical and Electronic Engineering and is an Associate Member of the Institute of Electrical Engineers. He obtained a Postgraduate Diploma in Laws from the University of Westminster, London and a Postgraduate Certificate in Laws from the University of Hong Kong. Mr. Kan is also an Associate Member of the Chartered Institute of Arbitrators. He joined the Group in June 2001.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. Cheung Pui Kay, aged 43, 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. Chan Kwok Choi, aged 39, is a qualified accountant in Hong Kong and Australia. He joined the Group in August 2002 as Financial Controller and Company Secretary. He is responsible for all the financial and secretarial matters of the Group. Mr. Chan has extensive financial, accounting and secretarial experiences prior to joining the Group.



DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 March 2003.

Principal Activities

The principal activities of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 13 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 23.

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 18 to the accounts.

Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in note 12 to the accounts.

Financial Summary

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	<u>9,482</u>	<u>13,319</u>	<u>-</u>
Loss attributable to shareholders	<u>(28,856)</u>	<u>(11,115)</u>	<u>(2,240)</u>
Total assets	1,982	32,499	260
Total liabilities	<u>(924)</u>	<u>(2,585)</u>	<u>(2,770)</u>
Net assets/(liabilities)	<u>1,058</u>	<u>29,914</u>	<u>(2,519)</u>

The results for each of the two years ended 31 March 2002 have been prepared on a combined basis as if the group structure at the time when the Company's shares were listed on the GEM had been in existence throughout the years concerned.

DIRECTORS' REPORT

Share Capital

Details of the movements in the share capital of the Company are set out in note 16 to the accounts.

Share Options

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.

The total number of the shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% 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 since the adoption of the Scheme.

Directors

The directors for the year ended 31 March 2003 and up to the date of this report were:-

Executive Directors

Mr. WAN Chi Keung

Mr. YAM Tat Wah

Mr. CHIU Chun Hung

(appointed on 19 September 2002)

Ms. WAN Sau Mei

(resigned on 24 July 2002)

Mr. LAM Kwok Wai

(resigned on 19 September 2002)

Directors (Continued)

Independent non-executive Directors

Ms. CHUNG Siu Lung

Mr. KAN Wing Fai, Terry

Mr. Chiu Chun Hung shall retire at the forthcoming annual general meeting in accordance with Article 99 of the Company's Articles of Association and, being eligible, offer himself for re-election at that meeting.

Ms. Chung Siu Lung shall 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 herself for re-election.

Directors' Service Contracts

Each of Mr. Wan Chi Keung and Mr. Yam Tat Wah, 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. 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 13 and 14.

Director' 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.

DIRECTORS' REPORT

Directors' Interest in Securities

As at 31 March 2003, 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:

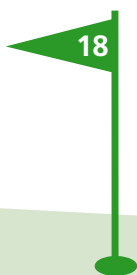
	Number of ordinary shares beneficially held	
	Personal interests	Corporate interests
Mr. Wan Chi Keung (note 1)	-	161,756,000
Mr. Chiu Chun Hung (note 2)	-	124,990,000
Mr. Yam Tat Wah (note 3)	-	3,381,000

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 Even More Profits Limited, a company, a company incorporated in the British Virgin Island, which is wholly-owned by Mr. Chiu Chun Hung.
- (3) 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 2003 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 year 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 of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.



Substantial Shareholders

At 31 March 2003, other than the interests disclosed in the section headed "Directors' interests in securities" above, the Company has not been notified any other interests representing 10% or more of the Company's issued share capital.

On 17 April 2003, a substantial shareholder, Even More Profits Limited ("EMP") entered into a placing agreement with CM-CCS Securities Limited ("CM") pursuant to which CM conditionally agreed, on a fully underwritten basis, to place a total of 84,600,000 existing shares of the Company (the "Placing Shares") at a price of HK\$0.10 per share, or failing which itself as principal, to purchase the full amount of the Placing Shares (the "Placing").

On the same date, EMP entered into a subscription agreement with the Company pursuant to which the Company agreed to issue to EMP and EMP agreed to subscribe an aggregate of 84,600,000 new shares of the Company at a price of HK\$0.10 per share (the "Subscription"). The Subscription constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. Details of the Subscription are set out in the circular of the Company dated 14 May 2003.

On 25 April 2003, the Placing was completed. On 30 April 2003, the Subscription was completed and the Company raised approximately HK\$8,260,000.

On 13 June 2003, all the issued shares of EMP have been acquired by Ms. Tan Gek Huang, who then becomes the wholly-owned shareholder of EMP from the date thereof.

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.

Major Suppliers and Customers

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

Purchases

- the largest supplier	20%
- five largest suppliers combined	65%

Sales

- the largest customer	54%
- five largest customers combined	87%

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.

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.

Competing interests

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

Sponsor's interests

As updated and notified by the Company's sponsor, DBS Asia Capital Limited (the "Sponsor"), as at 31 March 2003, 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 year ended 31 March 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

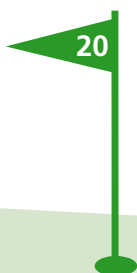
Audit committee

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.

The audit committee held four meetings during the year. At the meetings, the committee focused on the examining and approving the quarterly results for the year ended 31 March 2003 and the final results for the year ended 31 March 2002.

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 throughout the year ended 31 March 2003.



Auditors

The accounts have been audited by Messrs Graham H. Y. Chan & Co.. A resolution will be submitted to the annual general meeting of the Company to re-appoint Graham H. Y. Chan & Co. as auditors.

On behalf of the Board
Wan Chi Keung
Chairman

Hong Kong, 25 June 2003

AUDITORS' REPORT



GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

HONG KONG

AUDITORS' REPORT TO THE SHAREHOLDERS OF WANASPORTS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the accounts set out on pages 23 to 48 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 2003 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.



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

Hong Kong, 25 June 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT*For the year ended 31 March 2003*

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	4	9,482	13,319
Cost of sales		<u>(7,059)</u>	<u>(7,042)</u>
Gross profit		2,423	6,277
Other revenues	4	1,038	1,378
Advertising and promotion expenses		(484)	(2,064)
Distribution costs		(325)	(3,478)
Sample charges		(22)	(379)
Operating lease rentals in respect of land and buildings		(2,767)	(2,457)
Other operating costs		<u>(28,847)</u>	<u>(10,204)</u>
Operating loss	5	(28,984)	(10,927)
Finance costs	6	<u>(24)</u>	<u>(36)</u>
Loss before taxation		(29,008)	(10,963)
Taxation	7	<u>152</u>	<u>(152)</u>
Loss attributable to shareholders	8, 18	<u>(28,856)</u>	<u>(11,115)</u>
Loss per share			
Basic	10	<u>6.82 cents</u>	<u>3.05 cents</u>

CONSOLIDATED BALANCE SHEET

As at 31 March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Fixed assets	12	320	2,435
Club membership		288	288
		<u>608</u>	<u>2,723</u>
Current assets			
Inventories		–	6,011
Trade receivables	14	108	10,713
Prepayments, deposits and other receivables		80	6,955
Cash and bank balances		1,186	6,097
		<u>1,374</u>	<u>29,776</u>
Current liabilities			
Trade payables	15	44	222
Other payables and accruals		880	1,620
Current portion of obligations under finance leases		–	226
Other loans, secured		–	24
		<u>924</u>	<u>2,092</u>
Net current assets		<u>450</u>	<u>27,684</u>
Total assets less current liabilities		<u>1,058</u>	<u>30,407</u>
Capital and reserves			
Share capital	16	4,230	4,230
Reserves	18	(3,172)	25,684
Shareholders' funds		<u>1,058</u>	<u>29,914</u>
Non-current liabilities			
Obligation under finance leases			
– due after one year		–	298
Obligation under other loans, secured			
– due after one year		–	43
Deferred taxation	19	–	152
		<u>–</u>	<u>493</u>
		<u>1,058</u>	<u>30,407</u>

BALANCE SHEET*As at 31 March 2003*

		2003	2002
	<i>Note</i>	<u>HK\$'000</u>	<u>HK\$'000</u>
Interests in subsidiaries	13	<u>64</u>	19,369
Current assets			
Prepayments, deposits and other receivables		–	112
Cash and bank balances		<u>5</u>	46
		5	158
Current liabilities			
Accounts payable and accruals		<u>355</u>	161
Net current liabilities		<u>(350)</u>	(3)
Total assets less current liabilities		<u>(286)</u>	19,366
Capital and reserves			
Share capital	16	4,230	4,230
Reserves	18	<u>(4,516)</u>	15,136
(Capital deficiency)/shareholders' fund		<u>(286)</u>	19,366

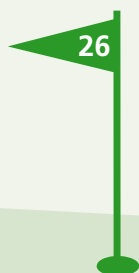
Wan Chi Keung
Director

Chiu Chun Hung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2003

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Balance at the beginning of year	29,914	(2,519)
Issue of shares for acquisition of subsidiaries	-	106
Share premium arising on issue of shares in a subsidiary	-	4,995
Placing of shares, net of expenses	-	20,629
Capitalisation of loans from shareholders	-	17,919
Share swap in accordance with reorganisation	-	(101)
Loss for the year	(28,856)	(11,115)
Balance at the end of year	1,058	29,914



CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31 March 2003*

	<i>Note</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net cash used in operating activities	20	(4,400)	(32,045)
Investing activities			
Purchase of fixed assets		(430)	(2,393)
Acquisition of club membership		–	(288)
Proceeds from disposal of fixed assets		107	–
Interest received		6	19
Net cash used in investing activities		(317)	(2,662)
Financing activities			
Proceeds from new issue of shares		–	28,050
Proceeds from new issue of shares of a subsidiary to the then shareholders		–	5,000
Issuing expenses of new shares		–	(7,421)
Addition of loans from a director and a shareholder		–	15,295
New other loans raised		–	94
Repayment of other loans		(22)	(27)
Capital element of finance lease payments		(172)	(240)
Net cash (use in)/from financing activities		(194)	40,751
Net (decrease)/increase in cash and cash equivalents		(4,911)	6,044
Cash and cash equivalents at beginning of year		6,097	53
Cash and cash equivalents at end of year		1,186	6,097
Analysis of balances of cash and cash equivalents			
Cash and bank balances		1,186	6,097

NOTES TO THE ACCOUNTS

1. General Information

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.

The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited on 11 December 2001.

2. Impact of New and Revised Statements of Standard Accounting Practice ("SSAPs")

In the current year, the following recently-issued and revised SSAPs have been adopted for the first time in the preparation of the current year's consolidated accounts:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statements
SSAP 34	Employee benefits

These SSAPs prescribes new accounting measurement and disclosure practices. The major effects on the Group's accounting policies on the amounts disclosed in the accounts of adopting these SSAPs are summarised as follow:

SSAP 1 (revised) prescribes the basis for the presentation of accounts and set out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity now presented on page 26 in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (revised) prescribes the basis for the translation of foreign currency transactions and accounts. The principal impact of this revised SSAP on the accounts is that the profit and loss accounts of overseas subsidiaries are translated at an average rate for the year on consolidation, rather than at the closing rate. This has had no material effect on the amounts previously recorded in the accounts.

SSAP 15 (revised) prescribes the format for the cash flow statement. The principal impact of the revision on this SSAP is that cash flows are now presented under three headings, that is, cash flows from operating, investing and financing activities, rather than the five headings previously required. The format of the consolidated cash flows statement set out on page 27 of the accounts and the notes thereto have been revised in accordance with the new requirements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in additional disclosures relating to the Company's share option scheme, as set out in note 17 of the accounts.

3. Principal Accounting Policies

The accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposal 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, except for some of the subsidiaries which were accounted for using merger accounting as a result of the group reorganisation took place in 2001.

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

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 or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. 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 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.

NOTES TO THE ACCOUNTS

3. Principal Accounting Policies (Continued)

(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 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%

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

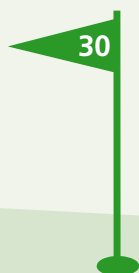
Club membership is not transferable within two years from the date of admission as a member and is stated at cost less provision for impairment.

(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.



3. 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, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

NOTES TO THE ACCOUNTS

3. 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) Employee Benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.

(iii) The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

(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.



NOTES TO THE ACCOUNTS

3. Principal Accounting Policies (Continued)**(n) Segment Reporting**

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. Financial information of geographical segments is presented in note 4.

4. Turnover, Revenues and Segment Information

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:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover		
Sale of golf apparel and sports-related products	<u>9,482</u>	<u>13,319</u>
Other revenues		
Interest income	6	19
Service income from franchisees	1,032	1,200
Other income	<u>-</u>	<u>159</u>
	<u>1,038</u>	<u>1,378</u>
Total revenues	<u>10,520</u>	<u>14,697</u>

NOTES TO THE ACCOUNTS

4. Turnover, Revenues and Segment Information (Continued)

An analysis of the Group's turnover and contribution to operating results by geographical location of its customers and segmental assets and liabilities by geographical location of its customers is as follows:

	Hong Kong 2003 HK\$'000	United States 2003 HK\$'000	PRC 2003 HK\$'000	Combined 2003 HK\$'000
Turnover – external sales	4,322	–	5,160	9,482
Results				
Segment results	(13,124)	–	(12,255)	(25,379)
Unallocated costs				(3,605)
Operating loss				(28,984)
As at 31 March 2003				
Assets				
Segment assets	1,588	–	100	1,688
Unallocated corporate assets				294
Combined total assets				1,982
Liabilities				
Segment liabilities	569	–	–	569
Unallocated corporate liabilities				355
Combined total liabilities				924
Other information				
Capital expenditure	430	–	–	
Depreciation	514	–	–	
Provision for doubtful debts	5,411	–	5,682	
Write off of stock	3,747	–	–	
Additional information concerning geographical segments by locations of assets				
Segment assets	1,982	–	–	1,982
Capital expenditure	430	–	–	430

NOTES TO THE ACCOUNTS

4. Turnover, Revenues and Segment Information (Continued)

	Hong Kong 2002 HK\$'000	United States 2002 HK\$'000	PRC 2002 HK\$'000	Combined 2002 HK\$'000
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	3,157			
Depreciation	805			
Additional information concerning geographical segments by locations of assets				
Segment assets	32,499			32,499
Capital expenditure	3,157			3,157

NOTES TO THE ACCOUNTS

5. Operating Loss

The operating loss is stated after charging the following:-

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	7,059	7,042
Auditors' remuneration	110	210
Depreciation of owned fixed assets	514	633
Depreciation of fixed assets held under finance leases	-	172
Loss on disposal of fixed assets	1,527	36
Net exchange losses	1	7
Staff costs (excluding directors' remuneration)		
- basic salaries and allowance	4,648	4,923
- retirement scheme contributions	206	227
Written off of inventories	3,747	-
Provision for doubtful debts	11,093	-

6. Finance Costs

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank overdrafts	-	3
Interest element of finance leases	21	29
Other loan interest	3	4
	<u>24</u>	<u>36</u>

7. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profit during the year (2002: Nil).

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred taxation - note 19	<u>(152)</u>	<u>152</u>



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\$19,652,000 (2002: approximately HK\$1,369,000).

9. Dividends

No dividends had been paid or declared by the Company during the year (2002: Nil).

10. Loss per Share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$28,856,000 (2002: HK\$11,115,000) and the weighted average number of 423,000,000 (2002: 363,849,315 shares) in issue during the year.

Diluted loss per share for the year has not been presented because there were no dilutive potential ordinary shares outstanding during the two years ended 31 March 2003.

11. Directors' and Senior Management's Emoluments

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Fees	307	108
Other emoluments:		
Basic salaries and allowances	1,937	725
Retirement scheme contributions	47	21
	<u>2,291</u>	<u>854</u>

Two directors resigned during the year and received emoluments of approximately HK\$414,000 and HK\$119,000 respectively for the year ended 31 March 2003 and HK\$172,000 and HK\$106,000 respectively for the year ended 31 March 2002. A director appointed during the year did not receive any emoluments from the Group. The remaining executive directors received emoluments of approximately HK\$1,202,000 and HK\$234,000 respectively for the year ended 31 March 2003 and approximately HK\$391,000 and HK\$77,000 respectively for the year ended 31 March 2002. Two independent non-executive directors received approximately HK\$161,000 each for the year ended 31 March 2003 and approximately HK\$54,000 each for the year ended 31 March 2002.

No directors waived or agreed to waive any of their emoluments in respect of the years ended 31 March 2002 and 2003.

NOTES TO THE ACCOUNTS

11. Directors' and Senior Management's Emoluments (Continued)

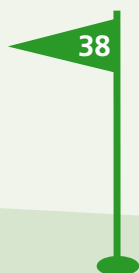
- (b) The five highest paid individuals during the year included three (2002: one) directors, details of whose emoluments are set out above. The emoluments payable to the remaining two (2001: four) individuals are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Basic salaries and allowances	466	1,489
Retirement scheme contributions	16	31
	<u>482</u>	<u>1,520</u>

The emoluments of the five highest paid individuals fell within the following band:

	Number of individuals	
	2003	2002
Nil to HK\$1,000,000	4	5
HK\$1,000,001 to HK\$1,500,000	1	-
	<u>1</u>	<u>-</u>

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

12. Fixed Assets – Group

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixture <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Office and shop equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
Brought forward	1,137	260	861	483	525	3,266
Additions at cost	66	1	-	133	230	430
Disposals	(1,203)	(157)	(861)	(488)	(446)	(3,155)
Carried forward	-	104	-	128	309	541
Aggregate depreciation						
Brought forward	379	53	172	122	105	831
Charge for the year	135	35	137	85	122	514
Disposals	(514)	(48)	(309)	(162)	(91)	(1,124)
Carried forward	-	40	-	45	136	221
Net book value						
At 31 March 2003	-	64	-	83	173	320
At 31 March 2002	758	207	689	361	420	2,435

As at 31 March 2002, the net book values of fixed assets held by the Group under finance leases included in the total amounts of motor vehicles amounted to HK\$689,000 among which, net book value of motor vehicles to the amount of HK\$340,000 was also pledged to secure the other loan.

As at 31 March 2003, there was no fixed assets held under finance leases.

13. Interests in Subsidiaries – Company

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Investment at cost – unlisted shares (note a)	107	107
Amounts due to subsidiaries (note b)	(43)	(28)
Amount due from subsidiaries (note b)	16,249	19,290
	16,313	19,369
Less: provision	16,249	-
	64	19,369

NOTES TO THE ACCOUNTS

13. Interests in Subsidiaries – Company (Continued)

(a) The following is a list of the principal subsidiaries of the Company as at 31 March 2003:

Company	Place and date of incorporation	Issued and fully paid up capital	Attributable equity interest %	Principal activities and place of operation
Shares held directly:-				
Wanasports Group Limited	British Virgin Islands 12 June 2001	Ordinary US\$10,000	100	Investment holding in Hong Kong
Shares held indirectly:-				
Loyalty Enterprise Limited	Hong Kong 4 February 1998	Ordinary HK\$100	100	Investment holding in Hong Kong
Full Class Management Limited	British Virgin Islands 22 February 2001	Ordinary US\$1	100	Investment holding in Hong Kong
Wanasports Holdings (B.V.I.) Limited	British Virgin Islands 18 May 2001	Ordinary US\$10,000	100	Investment holding in Hong Kong
Wanasports (B.V.I.) Limited	British Virgin Islands 23 April 2001	Ordinary US\$1	100	Investment holding in Hong Kong
Ewear Industrial Limited	British Virgin Islands 15 December 2000	Ordinary US\$1	100	Investment holding in Hong Kong
Itrade Resources Limited	British Virgin Islands 28 December 2000	Ordinary US\$1	100	Investment holding in Hong Kong
Wanasports Management Services Limited	Hong Kong 30 May 2001	Ordinary HK\$2	100	Holding of a club membership in Hong Kong

NOTES TO THE ACCOUNTS

13. Interests in Subsidiaries – Company (Continued)

Company	Place and date of incorporation	Issued and fully paid up capital	Attributable equity interest %	Principal activities and place of operation
Shares held indirectly:- (Continued)				
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 in Hong Kong
Wanagolf Company Limited	Hong Kong 30 May 2001	Ordinary HK\$2	100	Retailing of golf apparel products in Hong Kong

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.

14. Trade Receivables – Group

The Group normally grants credit period ranging from 45 days to 60 days to its trade debtors. As at 31 March 2003, the ageing analysis of trade receivable was as follows:

	2003 HK\$'000	2002 HK\$'000
0-3 months	3,040	10,380
4-6 months	8,161	333
	11,201	10,713
Less: provision for doubtful debts	(11,093)	-
	108	10,713

NOTES TO THE ACCOUNTS

14. Trade Receivables – Group (Continued)

During the year, the businesses of the franchisees through which the Group's products were sold to end-users have been suffered from the slump in retailing market. The recession was aggravated by the rapid wide spreading of SARS in both Guangzhou, Shenzhen and Hong Kong subsequent to the year end. After serious review of the damages and the outlook of its retail operations, the franchisees decided to run down their business in the near future. The Group has been discussing with the franchisees regarding the settlement of the debts. Having considering the weak financial position of the franchisees after suffering of their heavy losses, in the opinion of the directors, the recoverability of the debts is in doubt and full provision for the unsettled amount up to the date of this report was made.

15. Trade Payables – Group

All the trade payables at 31 March 2003 and 2002 are aged within 3 months.

16. Share Capital

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
As at 31 March 2003 and 2002	50,000,000,000	500,000
<i>Issued and fully paid:</i>		
As at 31 March 2003 and 2002	423,000,000	4,230

There were no movements in the Company's share capital for the year. The changes in the Company's authorised and issued share capital took place during the period from 21 June 2001 (date of incorporation) to 31 March 2002 are as follows:

- (a) On incorporation, the authorised share capital of the Company was HK\$350,000 divided into 3,500,000 shares of HK\$0.1 each. 1 share was allotted, issued and fully paid to the subscriber.
- (b) On 29 October 2001, each of the share of HK\$0.1 each of the authorised and issued share capital of the Company was subdivided into 10 shares of HK\$0.01 each. Accordingly, the Company's authorised and issued share capital were changed to 35,000,000 and 10 shares of HK\$0.01 each respectively.

16. Share Capital *(Continued)*

- (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:
- (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.
 - (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.
- (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.

17. Employee Benefits

The Group operates a Mandatory Provident Fund scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administrated by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the scheme vest immediately. Contributions totalling HK\$9,000 (2002: HK\$26,000) were payable to the MPF Scheme at the year end and are included in other payables.

NOTES TO THE ACCOUNTS

17. Employee Benefits (Continued)

The Company has adopted a share option scheme (the "Share Option Scheme") on 20 November 2001. Under the terms of the Scheme, 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 the listing of the Company's shares on GEM on 11 December 2001.

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

18. 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 2001	-	(29)	(2,568)	(2,597)
Issue of shares in a subsidiary	4,995	-	-	4,995
Placing of shares	27,200	-	-	27,200
Placing and listing expenses	(7,421)	-	-	(7,421)
Capitalisation issue	(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
At 1 April 2002	39,419	(52)	(13,683)	25,684
Loss attributable to shareholders	-	-	(28,856)	(28,856)
At 31 March 2003	39,419	(52)	(42,539)	(3,172)

The merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired pursuant to a group reorganisation in preparation for the listing of the Company's shares in the GEM in 2001 and the nominal value of the Company's shares issued in exchange therefor.

NOTES TO THE ACCOUNTS

18. Reserves (Continued)

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Company			
Placing of shares	27,200	-	27,200
Placing and listing expenses	(7,421)	-	(7,421)
Capitalisation issue	(3,274)	-	(3,274)
Loss for the year	-	(1,369)	(1,369)
At 31 March 2002	16,505	(1,369)	15,136
At 1 April 2002	16,505	(1,369)	15,136
Loss for the year	-	(19,652)	(19,652)
At 31 March 2003	16,505	(21,021)	(4,516)

As at 31 March 2003, the Company had no reserve available for distribution.

19. Deferred Taxation

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
At beginning of year	152	-
Transfer from profit and loss account - note 7	(152)	152
At end of year	-	152
Provided for in respect of:		
Accelerated depreciation allowances	-	152

No provision for deferred tax assets has been made in the accounts as it is uncertain whether the amounts will crystallise in the foreseeable future.

The major components of deferred tax assets of the Group not provided for are set out below:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Accelerated depreciation	50	-
Tax losses	(3,223)	(1,561)
	(3,173)	(1,561)

NOTES TO THE ACCOUNTS

20. Reconciliation of Loss before Taxation to Net Cash Flow (used in)/from Operating Activities

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Loss before taxation	(29,008)	(10,963)
Adjustments for:		
Interest on bank overdrafts	-	3
Interest element of finance leases	21	29
Other loan interest	3	4
Interest income	(6)	(19)
Depreciation of owned fixed assets	514	633
Depreciation of fixed assets held under finance leases	-	172
Loss on disposal of fixed assets	1,527	36
Operating loss before working capital changes	(26,949)	(10,105)
Decrease/(increase) in inventories	6,011	(6,011)
Decrease/(increase) in trade receivables	10,605	(10,713)
Decrease/(increase) in prepayment and deposits	6,875	(6,867)
(Decrease)/increase in trade payables, other payables and accrued charges	(918)	1,687
Cash used in operations	(4,376)	(32,009)
Interest on bank overdrafts	-	(3)
Interest element of finance leases	(21)	(29)
Other loan interest	(3)	(4)
Net cash used in operating activities	(4,400)	(32,045)

21. Commitments
(i) Commitment under Operating Leases

As at 31 March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and building, falling due as follows:-

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Not later than one year	300	7,663
Later than one year and not later than five years	113	4,668
	413	12,331

(ii) As at 31 March 2003, the Group did not have any material capital commitments.

22. Post Balance Sheet Event

On 17 April 2003, a substantial shareholder, Even More Profits Limited ("EMP") entered into a placing agreement with CM-CCS Securities Limited ("CM") pursuant to which CM conditionally agreed, on a fully underwritten basis, to place a total of 84,600,000 existing shares of the Company (the "Placing Shares") at a price of HK\$0.10 per share, or failing which itself as principal, to purchase the full amount of the Placing Shares (the "Placing").

On the same date, EMP entered into a subscription agreement with the Company pursuant to which the Company agreed to issue to EMP and EMP agreed to subscribe an aggregate of 84,600,000 new shares of the Company at a price of HK\$0.10 per share (the "Subscription"). The Subscription constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. Details of the Subscription are set out in the circular of the Company dated 14 May 2003.

On 25 April 2003, the Placing was completed. On 30 April 2003, the Subscription was completed and the Company raised approximately HK\$8,260,000.

23. Litigation

- (i) On 11 March 2003, a wholly-owned subsidiary of the Company, Wanasports International Limited ("WIL") has received a high court writ from Lucky Strike Investment Limited ("Lucky Strike") which is the landlord of a retail shop (the "Premises") operated by one of the Group's franchisees, Sino Phoenix Investment Limited ("Sino Phoenix"), for the arrears of rent in the amount of approximately HK\$219,000 (the "Rent"). The relevant tenancy agreements were signed between the Lucky Strike and WIL. The main reason that WIL signed the lease agreement was to enable Sino Phoenix to obtain more favourable terms for the lease. The said retail shop was formally closed down on 10 March 2003 because of cost considerations.

A court hearing was held on 28 April 2003. The court adjourned the case for argument to a date to be fixed and made, inter alia, a direction that Lucky Strike is at liberty to file an affirmation in reply within 14 days. Lucky Strike has not filed the affirmation in reply before the deadline. Upto the date of this report, there has been no further development to the case and the Company is waiting for further instructions from the court.

The directors of the Company consider that the Rent should be offset by the three-month deposits of approximately HK\$316,000 paid by WIL to Lucky Strike.

The directors believe that taken into account the three-month deposits of approximately HK\$316,000 paid, the Group has reasonable grounds to defend itself against the claim from Lucky Strike. According to the directors, they will discuss with Sino Phoenix on the outstanding payment obligations in respect of the Premises and the three-month deposits paid by WIL to Lucky Strike. No provision was made for this claim in the accounts.

NOTES TO THE ACCOUNTS

23. Litigation *(Continued)*

- (ii) As stated in the announcement of the Company on 21 February 2003, the Group has been negotiating with the landlord in respect of the early termination of the Group's retail store in Tsimshatsui. The landlord has been claiming the Group in respect of rentals and charges in arrears in respect of approximately HK\$499,000 for August and September 2002 (the "TST Dispute"). As at the date of this report, the parties are still trying to reach an agreement including refund from the landlord the rental deposit in the sum of approximately HK\$748,000. As at the date of this report, no writ of summons was received by the Group regarding the TST Dispute.

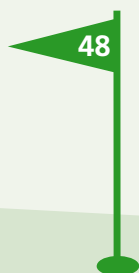
Save as disclosed above, no member of the Group is engaged in any litigation or arbitration of material importance and the directors are not aware of any litigation, arbitration or claims of material importance pending or threatened against any member of the Group.

24. Comparative Figures

Due to the adoption of new/revised SSAPs during the current year, the presentation of accounts and certain notes to accounts have been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform with current year's presentation.

25. Approval of Accounts

The accounts were approved by the board of directors on 25 June 2003.



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 Function Room, 30/F, Panda Hotel, 3 Tsuen Wa Street, Tsuen Wan, New Territories, Hong Kong on 30 July 2003 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 2003.
2. To re-elect the retiring directors and to authorise the board of directors to fix their remuneration.
3. To re-appoint the auditors of the Company and to authorise 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 (the "GEM Listing Rules"), the exercise by the directors of the Company (the "Directors") 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 authorisation given to the directors and shall authorise the Directors 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);
- (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 pursuant to the approval in paragraph (A) above shall not exceed 20% of the aggregate nominal value of the issued share capital of the Company as 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."

NOTICE OF ANNUAL GENERAL MEETING

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 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 or any other stock exchange on which shares in the capital of the Company may be listed and which is recognised 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% of the aggregate nominal value of the issued share capital of the Company as 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% of the aggregate nominal value of the issued share capital of the Company as at the date of passing this resolution."

By order of the board of Directors
Wan Chi Keung
Chairman

Hong Kong, 25 June 2003

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.

