

WANA

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威 倫 堡

WANASPORTS HOLDINGS LIMITED

(威 倫 堡 控 股 有 限 公 司 *)

(Incorporated in the Cayman Islands with Limited Liability)

**FIRST QUARTERLY REPORT
2003**

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.

FIRST QUARTER RESULTS (UNAUDITED)

The board of Directors (“Board”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 30 June 2003, together with the comparative unaudited figures for the corresponding periods in 2002 as follows:–

		Three months ended 30 June	
		2003	2002
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	0	4,243
Cost of sales		0	(2,635)
Gross profit		0	1,608
Other revenues	3	0	366
Selling and distribution expenses		0	(1,451)
General and administrative expenses		(4,015)	(3,764)
Operating loss		(4,015)	(3,241)
Finance costs	4	(2)	(13)
Loss before taxation		(4,017)	(3,254)
Taxation	5	0	0
Loss attributable to shareholders		(4,017)	(3,254)
Interim dividend per share	6	0	0
Loss per share – basic	7	(0.86 cent)	(0.77 cent)

STATEMENT OF CHANGES IN EQUITY AND RESERVES

Three months ended 30 June 2003

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
As at 1 April 2002	4,230	39,419	(52)	(13,683)	29,914
Loss for the period	-	-	-	(3,254)	(3,254)
As at 30 June 2002	<u>4,230</u>	<u>39,419</u>	<u>(52)</u>	<u>(16,937)</u>	<u>26,660</u>
As at 1 April 2003	4,230	39,419	(52)	(13,683)	29,914
Share issued	846	7,614	-	-	8,460
Loss for the period	-	-	-	(4,017)	(4,017)
As at 30 June 2003	<u>5,076</u>	<u>47,033</u>	<u>(52)</u>	<u>(26,168)</u>	<u>34,357</u>

Notes:-

1. Basis of presentation

The unaudited consolidated results of the Group for the three months ended 30 June 2003 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 2003.

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:

	Three months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Turnover		
Sale of goods	<u>0</u>	<u>4,243</u>
Other revenues		
Interest income	0	2
Sundry income	0	4
Service fees from franchisee	<u>0</u>	<u>360</u>
	<u>0</u>	<u>366</u>
Total revenues	<u>0</u>	<u>4,609</u>

3. Operating costs

	Three months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Cost of inventories sold	0	2,635
Depreciation – owned assets	4	59
Depreciation – leased assets	0	40
Loss on disposal fixed assets	307	0
Staff cost		
– basic salaries and allowances	278	1,063
– retirement scheme contributions	<u>26</u>	<u>44</u>

4. Finance costs

	Three months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Other bank charges	2	5
Interest element of finance leases	0	8
	<u>2</u>	<u>13</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 2002.

6. Interim dividend

The Directors do not recommend the payment of an interim dividend for the period (2002: Nil).

7. Loss per share

The calculation of the basic loss per share for the three months ended 30 June 2003 is based on the unaudited consolidated loss attributable to shareholders of HK\$4,016,597 and (2002: HK\$3,253,648) and the weighted average number of 465,300,000 (2002: 423,000,000) ordinary shares outstanding during the period.

No diluted loss per share for the three months ended 30 June 2003 and the corresponding period in 2002 is presented because there were no dilutive potential ordinary shares in existence during the period.

BUSINESS REVIEW

During the three months ended 30 June 2003, the Group did not generate any turnover (2002: HK\$4,243,000) and the loss attributable to shareholders was approximately HK\$4,017,000 (2002: HK\$3,254,000). Loss per share was approximately HK0.86 cents (2002: HK0.77 cent).

The Group did not generate any turnover during the period because the franchisees did not order inventories from the Group during the period. In addition, the Group's two franchisees expressed their inability to repay outstanding debts of approximately HK\$13 million. The write-off of this amount had already been reflected in the Company's audited annual report for the year ended 31 March 2003. Further details of the Group's franchisees are to be announced later.

During the period under review, general retail business in Hong Kong has been poor due to a difficult economic environment. In addition, the economies of Hong Kong and southern Guangzhou have suffered from the effects of SARS. The Group understands that retail operation have in general faced substantial difficulties as a whole, including the Group's franchise business.

In April 2003, the company has raised approximately HK\$8,260,000 by a placing and subscription of its shares. Details of the transactions have been disclosed in the announcement dated 24, 25 and 30 April 2003, and in the Group's audited annual report for the year ended 31 March 2003. The funds generated by the placing will be used to finance the Group's operations and developing new franchising opportunities.

FUTURE PROSPECTS

The Group is now focused on securing new franchisees for its products. The Company is currently in negotiations with a potential franchisee in Australia. On 25 July 2003, the Group entered into a letter of Intent with the potential franchisee setting out various key terms of the franchise agreement to be entered into with the potential franchisee. As at the date hereof, the Group has yet to enter into a formal franchise agreement with the potential franchisee, and negotiations are continuing. Details of the letter of intent are expected to be announced later.

As part of the efforts of the Group to improve the quality and design of its garment products, on 25 July 2003, the Group acquired the entire shareholding of Colonial Ventures Limited, the holding company of Concepts Only Limited. Details of the acquisition are expected to be announced later. The Directors consider that the garment design, development and sourcing capabilities of Concepts Only to be complimentary to the distribution business of the Group. Moreover, the established business and client base of Concepts Only also represent a valuable foundation for the Group to further develop its garment business, not only in the region, but also in the United Kingdom and Australia. The Directors expect that the Group's capabilities in building and supporting its garment product distribution network would be substantially strengthened with the addition of Concepts Only to the Group.

DIRECTORS' AND CHIEF EXECUTIVE INTEREST IN SHARES AND OPTIONS

As at 30 June 2003, 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 (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register maintained under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to Rules 5.40 to 5.49 of the GEM Listing Rules were as follows:-

A. Long position in shares

Name	Type of interest	Number of shares	Percentage of issued share capital
Mr. Wan Chi Keung	Corporate (Note 1)	161,750,000	31.87%
Mr. Yam Tat Wah	Corporate (Note 2)	3,381,000	0.67%

Note 1: Mr. Wan Chi Keung held these shares through Charming Heart Limited, a company in which Mr. Wan Chi Keung holds 90% of its issued share capital.

Note 2: Mr. Yam Tat Wah held these shares through Sun Oriental Development Limited, a company in which Mr. Yam Tat Wah holds 100% of its issued share capital.

B. Short positions in shares

No short position of directors and chief executives in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 to 5.49 of the GEM Listing Rules.

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.

C. Share options

The Company has conditionally adopted a Share Option Scheme (the "Scheme") on 20 November 2001. A summary of the principal terms of the Scheme is set out in the subsection headed "Share Option Scheme" in Appendix IV to the prospectus of the Company dated 4 December 2001. As at 30 June 2003, no options has been granted or agreed to be granted by the Company under the Scheme.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the following persons had interests in the shares of the Company as recorded in the register required to be kept under Section 36 of the SFO:

Long position in shares

Name	Number of shares	Percentage of issued share capital
Charming Heart Limited (Note 1)	161,756,000	31.87%
Even More Profits Limited (Note 2)	124,990,000	24.62%

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 ("EMP") is a private company wholly owned by Mr. Chiang Wee Tiong. Mr. Chiang acquired all the issued share capital of EMP from Mr. Chiu Chun Hung on 13 June 2003.

Short positions in shares

No short position of other person and substantial shareholders in the shares of the Company were recorded in the register.

COMPETING INTERESTS

As at 30 June 2003, 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 30 June 2003, 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 three months ended 30 June 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an audit committee on 12 July 2001. The audit committee has two members comprising of two independent non-executive Directors, Ms. Chung Siu Lung and Mr. Kan Wing Fai, Terry. Ms. Chung Siu Lung was appointed as the chairman of this committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control of the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

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

By order of the Board
Wan Chi Keung
Chairman

Hong Kong, 14 August 2003