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WANASPORTS HOLDINGS LIMITED

(威 倫 堡 控 股 有 限 公 司 *)

(Incorporated in the Cayman Islands with Limited Liability)

**INTERIM 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 the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INTERIM RESULTS (UNAUDITED)

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

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Note	Six months ended 30 September		Three months ended 30 September	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	1,497	7,267	1,497	3,024
Cost of sales		(1,134)	(4,712)	(1,134)	(2,077)
Gross Profit		363	2,555	363	947
Other revenues	2	158	684	158	318
Selling and distribution expenses		-	(324)	-	-
General and administrative expenses		(1,560)	(13,886)	(345)	(8,995)
Operating profit / (loss)	4	(1,039)	(10,971)	176	(7,730)
Finance costs	3	(3)	(23)	(1)	(10)
Profit / (loss) before taxation		(1,042)	(10,994)	175	(7,740)
Taxation	5	-	-	-	-
Share of loss of an associated company		(7)	-	(7)	-
Profit / (loss) attributable to shareholders		(1,049)	(10,994)	168	(7,740)
Interim dividend per share	6	-	-	-	-
Earnings / (loss) per share – basic	7	(0.21 cents)	(2.60 cents)	0.03 cents	(1.83 cents)

CONSOLIDATED BALANCE SHEET

		As at	
		30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
	Note		
Non-current assets			
Interest in an associated company	8	43	-
Fixed assets		150	320
Intangible assets	9	2,600	-
Club membership		288	288
		<u>3,081</u>	<u>608</u>
Current assets			
Accounts receivable	10	968	108
Prepayments, deposits and other receivables	11	3,385	80
Marketable securities	11	1,078	-
Cash and bank balances		2,550	1,186
		<u>7,981</u>	<u>1,374</u>
Current liabilities			
Accounts payable	12	1,392	44
Accruals, provisions and other payables	11	2,451	880
		<u>3,843</u>	<u>924</u>
Net current assets		<u>4,138</u>	450
Total assets less current liabilities		<u>7,219</u>	<u>1,058</u>
Capital and reserves			
Share capital		5,076	4,230
Reserves		2,143	(3,172)
Shareholders' funds		<u>7,219</u>	<u>1,058</u>

CONSOLIDATED CASH FLOW STATEMENTS

		Six months ended	
		30 September	
		2003	2002
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Net cash outflow from operating activities	14	(3,341)	(3,506)
Returns on investments and servicing of finance			
Interest received / (paid)		13	(4)
Interest element of finance leases		-	(15)
Proceeds from disposal of subsidiaries		100	-
		<hr/>	<hr/>
Net cash inflow / (outflow) from returns on investments and servicing of finance		113	(11)
		<hr/>	<hr/>
Investing activities			
Purchase of fixed assets		(438)	(425)
Increase in intangible assets		(2,600)	-
Consideration paid for acquisition of subsidiaries		(500)	-
Consideration paid for acquisition of an associated company		(30)	-
Expenses paid in connection with disposal of subsidiaries		(300)	-
		<hr/>	<hr/>
Net cash outflow from investing activities		(3,868)	(425)
		<hr/>	<hr/>
Net cash outflow before financing activities		(7,096)	(3,942)
		<hr/>	<hr/>
Financing activities			
Share monies received		8,460	-
Capital element of finance lease payable		-	(125)
		<hr/>	<hr/>
Net cash inflow / (outflow) from financing activities		8,460	(125)
		<hr/>	<hr/>
Increase / (decrease) in cash and cash equivalents		1,364	(4,067)
Cash and cash equivalents at beginning of period		1,186	6,097
		<hr/>	<hr/>
Cash and cash equivalents at end of period		2,550	2,030
		<hr/> <hr/>	<hr/> <hr/>
Analysis for balance of cash and cash equivalents			
Cash and bank balances		2,550	2,030
		<hr/> <hr/>	<hr/> <hr/>

STATEMENT OF CHANGE IN EQUITY

Six months ended 30 September 2003

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Accu- mulated loss HK\$'000	Total HK\$'000
As at 1 April 2002	4,230	39,419	(52)	(13,683)	29,914
Loss for the period	–	–	(4)	(10,994)	(10,998)
As at 30 September 2002	<u>4,230</u>	<u>39,419</u>	<u>(56)</u>	<u>(24,677)</u>	<u>(18,916)</u>
As at 1 April 2003	4,230	39,419	(52)	(42,539)	1,058
Adjustment on accumulated loss for the disposal of subsidiaries during the period	–	–	–	(728)	(728)
Share allotments in the period	846	7,614	–	–	8,460
Merger Reserve	–	–	(522)	–	(522)
Loss for the period	–	–	–	(1,049)	(1,049)
As at 30 September 2003	<u>5,076</u>	<u>47,033</u>	<u>(574)</u>	<u>(44,316)</u>	<u>7,219</u>

During the period, certain subsidiaries were acquired and disposed. The gain and loss of the disposals are dealt with in the profit and loss account, and the excess of investment cost over the fair net asset value of the subsidiaries acquired are reflected in the merger reserve account. There was no material acquisition or disposal of subsidiaries in the corresponding period in 2002.

NOTES TO FINANCIAL STATEMENTS

1. Group reorganisation and basis of presentation

The unaudited consolidated results of the Group for the six months ended 30 September 2003 include the results of the companies now comprising the Group as if the current group structure had been in existence through the period or since their respective dates of incorporation or establishment, whichever is a shorter period. All significant intra-group transactions and balances have been eliminated on consolidation.

The unaudited condensed interim financial statements of the Group have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and basis of presentation used in interpreting of these unaudited interim financial statements are the same as those used in the Group's annual financial statements for the year ended 31 March 2003.

Certain prior periods' comparative figures have been reclassified to conform with the current period's presentation.

2. Turnover and revenue

The Group is engaged in the design, sourcing and distribution of casual wear, sportswear and lifestyle garment products and accessories. Revenues recognised during the period are as follows:

	Six months ended 30 September 2003		Three months ended 30 September 2003	
	HK\$'000	2002 HK\$'000	HK\$'000	2002 HK\$'000
Turnover	1,497	7,267	1,497	3,024
Sale of goods	(1,134)	(4,712)	(1,134)	(2,077)
Other revenues	158	684	158	318
Total revenues	521	3,239	521	1,265

Other revenue consists of consultancy fees from an associated company, interest from bank deposits and net income / (loss) derived from the trading of marketable securities for treasury purposes.

3. Finance costs

	Six months ended 30 September 2003		Three months ended 30 September 2003	
	HK\$'000	2002 HK\$'000	HK\$'000	2002 HK\$'000
Bank charges	3	8	1	4
Bank interest	0	15	0	6
	3	23	1	10

4. Operating profit / (loss)

The operating profit / (loss) is stated after charging the following:

	Six months ended 30 September 2003		Three months ended 30 September 2003	
	HK\$'000	2002 HK\$'000	HK\$'000	2002 HK\$'000
Cost of inventories sold	1,134	4,712	1,134	3,180
Depreciation of fixed assets	22	348	11	195
Staff cost				
– basic salaries and allowances	255	4,757	176	2,535
– retirement scheme contributions	24	177	12	80

5. Taxation

No Hong Kong profits tax has been provided for as the Group did not generate any assessable profits arising in Hong Kong during the period under review and the corresponding period in 2002.

No deferred tax assets have been recorded in the accounts as it is uncertain whether any such amounts will crystallise in the foreseeable future.

6. Interim dividend

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

7. Earnings / (loss) per share

The calculation of the basic loss per share for the six months ended 30 September 2003 is based on the unaudited consolidated loss attributable to shareholders of HK\$1,049,000 and (2002: HK\$10,994,000) and the weighted average number of 500,203,279 (2002: 423,000,000) ordinary shares outstanding during the period.

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

8. Interest in an associated company

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Investment at cost	30	-
Share of loss of an associated company	(7)	-
Amount due from an associated company	20	-
	<u>43</u>	<u>-</u>

The amount due from an associated company is interest free, unsecured and has no fixed terms of repayment.

9. Intangible assets

On 7 May 2003, the Company entered into a novation agreement whereby the Company assumed all the rights, liabilities and obligations of Quest Capital Markets Limited ("QCM"), in relation to a cooperation agreement between QCM and The Stellar Group Limited at a consideration of HK\$2,600,000. Such amount is considered classifiable as an intangible asset for the generation of future benefits. The amount is stated at cost and is to be amortised over 5 years.

The amortisation of intangible asset will be taken into account in the financial statements of the Group for the year ending 31 March 2004.

10. Accounts receivable

Accounts receivable represent trade receivables from sale of goods. The following is an aging analysis of accounts receivable at the balance sheet date:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
0-3 months	795	3,040
4-6 months	173	8,161
	<u>968</u>	11,201
Less: provision for doubtful debts	-	(11,093)
	<u>968</u>	<u>108</u>

11. Marketable securities

Marketable securities represent short term investment in listed securities in Hong Kong for treasury purposes and these are stated at the fair market value as at 30 September after taking into account all the realised and unrealised gain or loss derived from trading in such marketable securities. Such gain and loss are dealt with in the profit and loss account.

Receivables of proceeds from, and the amounts payable to, securities dealers in relation to such trading are reflected in the "other receivables" and "other payables" accounts respectively in the balance sheet.

12. Accounts payable

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

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
0-3 months	958	44
4-6 months	434	-
	<u>1,392</u>	<u>2,799</u>

13. Operating lease commitments

(i) *Commitment under operating leases*

As at 30 September 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	2002
	HK\$'000	HK\$'000
Not later than one year	395	300
Later than one year but not later than five years	362	275
	757	575

(ii) As at 30 September 2003, the Group did not have any material capital commitments.

14. Notes to consolidated cash flow statements

Reconciliation of operating loss to Net Cash Outflow from Operational Activities:

	30 September	
	2003	2002
	HK\$'000	HK\$'000
Operating loss	(1,039)	(10,971)
Depreciation	22	348
Loss on disposal of fixed assets	-	738
Decrease / (increase) in inventories	-	1,087
Decrease / (increase) in trade receivables	(860)	(2,033)
Decrease / (increase) in prepayment and deposits	(4,507)	5,934
Decrease / (increase) in marketable securities	(1,078)	-
Increase / (decrease) in trade payables, accrued charges and provisions	4,121	1,391
	(3,341)	(3,506)

BUSINESS REVIEW

During the six months ended 30 September 2003, the turnover of the Group was approximately HK\$1,497,000 (2002: HK\$7,267,000) and the loss attributable to shareholders was approximately HK\$1,049,000 (2002: HK\$10,994,000). Loss per share was approximately HK0.21 cents (2002: HK2.60 cents).

In April 2003, the Company raised approximately HK\$8,460,000 through a top-up placing of its shares. Details of the transaction have been disclosed in the announcements of the Company 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 have been used to finance the Group's operations and will be used to develop new business opportunities.

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 Limited to be complimentary to the garment product distribution business of the Group. Moreover, the established business and client base of Concepts Only Limited 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 Limited to the Group.

On 25 July 2003, the Company entered into an agreement to dispose of a wholly-owned subsidiary, Wanasports BVI Limited, which was the intermediate holding company of Wanasports International Limited. Wanasports International Limited was a major operating subsidiary of the Group and was the contracting party of the Group for the Group's previous franchisee agreements. By way of the disposal, the Group intended to dispose of obsolete inventories and to remove the Group from liability for potential claims from various landlords of the Group's previous franchised retail outlets that had been closed. The Directors considered that it was in the best interests of the Company and the Group to carry out the disposal of Wanasports BVI Limited and Wanasports International Limited.

On 10 September 2003, the Group completed the negotiations with MQ Services Pty Limited and entered into a franchise agreement with that party. MQ Services Pty Limited is the first franchisee of the Group in Australia and will cooperate with the Group to explore the marketability of its products in regions other than the PRC and Hong Kong. MQ Services Pty Limited is expected to open a retail outlet for the Group's garment products in a shopping mall located in Melbourne, Australia, shortly.

FUTURE PROSPECTS

The retail environment in Hong Kong and the southern PRC continues to be poor, and the residual effects of SARS on the economy of the region continue to be felt. However, the Group continues to seek out new business opportunities and franchisee partners in Hong Kong and the southern part of the PRC, as well as the rest of the Asia-Pacific region.

While Hong Kong and the southern part of the PRC remain the primary areas for the Group's franchise activities, the Group is now mindful of the need to diversify its franchise partner base outside of this region so as to reduce the Group's vulnerability to negative economic conditions as well as external events, such as SARS, which may have a negative impact on the business of the Group. The Group is also aware of the need to broaden the fashionability and appeal of its branded garment products.

The Group will work closely with MQ Services Pty Limited to prepare its chosen retail outlet location for the commencement of franchise retail operations. It will also work with MQ Services Pty Limited to source and supply suitable garment products to the retail outlet.

The Group is utilising the design and sourcing capabilities of Concepts Only Limited to improve the fashionability and appeal of the Group's branded garment products. The Group also supports the development of Concepts Only Limited's existing garment design, sourcing and distribution business.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial resources and liquidity

As at 30 September 2003, shareholders' interest of the Group amounted to approximately HK\$7,219,000. Current assets amounted to approximately HK\$7,981,000, of which approximately HK\$2,550,000 were cash and bank deposits. The Group had current liabilities of HK\$3,843,000, which mainly comprised of accruals and other deposits.

A summary of the liquidity position of the Group as at 30 September 2003 is as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Current assets	7,981	1,374
Current liabilities	3,843	924
Net current assets	4,138	450

The Group's gearing ratio was 0.53 as at 30 September 2003 (31 March 2002: 0.42). Gearing ratio is calculated as current liabilities to total equity.

Foreign exchange exposure

The Group employs financial instruments for the hedging of its foreign exchange exposure. The net profit and loss of such hedging during the period is minimal.

Capital structure

There has been no material change in the capital structure of the Group since the Company's listing on GEM in December 2001.

Charges on group assets

There are no assets of the Group pledged to banks as security for general banking facilities granted to the Group.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 September 2003.

Capital commitments

The Group had no capital commitment for future material investment as at 30 September 2003.

Material acquisitions and disposals

On 25 July 2003, the Group disposed of Wanasports BVI Limited and its wholly owned subsidiary, Wanasports International Limited at a consideration of HK\$100,000.

On the same date, the Group acquired Colonial Ventures Limited, a company incorporated in the British Virgin Islands, and its wholly owned subsidiary, Concepts Only Limited, at a consideration of HK\$500,000.

The gain and loss on the disposals of the said subsidiaries had been dealt with in the profit and loss account.

Save as disclosed above, there is no other material acquisition or disposal of subsidiaries for the period ended 30 September 2003.

Employee information

During the six months ended 30 September 2003, employee costs, excluding Directors' emoluments, totalled approximately HK\$180,000.

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 30 September 2003, the Group had 7 full time employees. The Directors believe that the Group has maintained a good relationship with its employees.

**COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS
FROM 1 APRIL 2003 TO 30 SEPTEMBER 2003**

	Business objectives as stated in the prospectus dated 4 December 2001 (the "Prospectus")	Actual business progress
<i>Product development</i>	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	The orders for fall/winter 2003 were delivered to customers between July and November 2003
	Commence and complete the design of new items for the new season range of the Chi-Mask collection	The plan of the Chi-Mask collection was abandoned due to refinements of the business strategy of the Group
	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 2003 season
<i>Kidswear</i>	Complete design of a new range of kidswear	The Group has not designed or produced any kidswear for the fall/winter 2003 season due to refinements of the strategy of the Group
<i>Familywear</i>	Commence the design of a new line of apparel for families	The Group has mainly designed and produced leisurewear and casualwear for women
<i>Accessory items</i>	Commence and complete design of at least 2 new designs of golf shoes	The Group has phased out the golf accessory items due to refinements of the business strategy of the Group
	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 has phased out the personal care product line due to refinements of the business strategy of the Group

	Business objectives as stated in the prospectus dated 4 December 2001 (the "Prospectus")	Actual business progress
<i>Overall production</i>	Commence production of all new products	Except for the Chi-Mask collection series and the kidswear product line, all other production is on schedule
<i>Distribution</i>	Identify and negotiate with potential franchisees in new target markets such as Japan, Korea and Indonesia	The Group has entered into a franchise agreement with MQ Services Pty Limited on 10 September 2003. MQ Services Pty Limited intends to open a franchise retail operation in a shopping mall in a suburb of Melbourne, Australia. Investigations will continue to be made into the possibilities of opening new franchise shops or other retail outlets in other countries
	Appoint new franchisees to expand franchise network in existing and new target markets	See above
	Continue to negotiate with pro-shops as in previous period	All pro-shop consignment counters in Hong Kong have been closed
	New franchisee outlets: 18	Franchise arrangements with two franchisee outlets (1 in Guangzhou and 1 in Shenzhen) were terminated during the period. As at 30 September 2003, there were no franchisee outlets, though the Group had entered into a franchise agreement with a franchisee in Australia. See also above
	Total number of franchisee outlets: 23	See above
	New consignment counters at pro-shops: 4	All pro-shop consignment counters in Hong Kong have been closed
	Total number of consignment counters at pro-shops: 9	All pro-shop consignment counters in Hong Kong have been closed

	Business objectives as stated in the prospectus dated 4 December 2001 (the "Prospectus")	Actual business progress
<i>Sales and marketing</i>	Launch of new lines of kidswear and Chi-Mask collection	The Chi-Mask collection was abandoned. The Group has not designed or produced any kidswear for the fall/winter 2003 season due to refinements of the business strategy of the Group
	Launch of new series of golf shoes	The Group has phased out the golf accessory items due to refinements of the business strategy of the Group
	Launch of new line of personal care products	The Group has phased out the personal care product items due to refinements of the business strategy of the Group
	Appoint 2 new spokespersons for new product lines to be launched	Agreements with celebrity spokespersons have expired and are not expected to be renewed
	Continue to identify other new spokespersons	Additional spokespersons will only be identified when the general retail market recovers
	Sponsor local and/or overseas golf tournaments	The Group has ceased all sponsorship in order to save costs since September 2002
	Roll out global membership program for golfers	The Group has abandoned such plan due to refinements of the business strategy of the Group
	Continue to promote the franchise scheme by holding seminars and through the website	The Group has been focusing on promotion to direct franchisee contacts
	Continue to participate in trade shows and exhibitions to create market awareness	The Group has been focusing on promotion to direct franchisee contacts

Business objectives as stated in the prospectus dated 4 December 2001 (the "Prospectus")

Actual business progress

Publish merchandise catalogue for collections	The Group now operates by creating ranges and designs for customers who may work with the Group to develop those designs. The Group has found it more cost effective to prepare ranges on a customer basis, rather than working strictly to a merchandise catalogue
<i>Business development</i> 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 currently operates for informative and promotional purposes, and will be revamped in the near future

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 were listed on GEM in December 2001 and up to 30 September 2003, details of the application of the net proceeds are as follows:

	Amount to be used up to 30 September 2003 as disclosed in the Prospectus <i>(HK\$' million)</i>	Actual approximate amount used up to 30 September 2003 <i>(HK\$' million)</i>
Product development	4.3	0.5
Promotion and marketing	9.8	2.7
Distribution	0.4	0.2
Business development	1.5	0.6
General working capital	—	14.5
Total	16.0	18.5

As set out in the Prospectus, it was originally planned that approximately HK\$16 million would be used up to 30 September 2003. However, as set out above, up to 30 September 2003, approximately HK\$14.5 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. On 17 April 2003, the Company raised approximately HK\$8.5 million from the placing of its shares. The funds received are for general working capital purposes. HK\$2.6 million was used as consideration for a novation agreement and HK\$500,000 was used for the acquisition of a subsidiary. As at 30 September 2003, there was approximately HK\$2,550,000 placed at bank as deposits.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND DEBENTURES

As at 30 September 2003, the interests or short positions of the Directors in the shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.40 of the GEM Listing Rules, to be notified to the Company and the Exchange:

A. Long positions in the ordinary shares of HK\$ 0.01 each of the Company

Name of Director	Type of interest	Number of shares	Percentage of issued share capital
Mr. Wan Chi Keung	Corporate (Note 1)	161,750,000	31.87%

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.

Save as disclosed above, none of the Directors had any interests in the share capital of the Company or its associated corporations. During the reporting period, there were no debt securities issued by the Group at any time.

B. Rights to acquire ordinary shares of HK\$ 0.01 each of the Company

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

C. Short positions in associated corporations

Save as disclosed above, none of the Directors or their associates had, as at 30 September 2003, any interests or short positions in any shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.40 of the GEM Listing Rules, to be notified to the Company and the Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 September 2003, the persons or corporations (not being a Director or the chief executive of the Company) who have interests or short positions in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or which have otherwise been notified to the Company were as follows:

Name of shareholder	Number of shares	Percentage of issued share capital
Charming Heart Limited (Note 1)	161,750,000	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 is a private company wholly owned by Mr. Chiang Wee Tiong.

SHARE OPTION SCHEME

The Company has conditionally adopted the Scheme on 20 November 2001. As at 30 September 2003, no option has been granted or agreed to be granted by the Company under the Scheme.

COMPETING INTERESTS

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

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, DBS Asia Capital Limited (the "Sponsor"), as at 30 September 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 six months ended 30 September 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.

By order of the Board
Wan Chi Keung
Chairman

Hong Kong, 14 November 2003