

**WANA**

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**WANASPORTS HOLDINGS LIMITED**

**( 威 倫 堡 控 股 有 限 公 司 \* )**

(Incorporated in the Cayman Islands with Limited Liability)

**FIRST QUARTERLY REPORT  
2004**

## **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](http://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”) of Wanasports Holdings Limited (the “Company”) wishes to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 30 June 2004, together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

		<b>Three months ended 30 June</b>	
	<i>Note</i>	<b>2004 HK\$'000</b>	2003 HK\$'000
Turnover	2	<b>2,067</b>	0
Cost of sales		<b>(1,696)</b>	0
Gross profit		<b>371</b>	0
Other revenues	2	<b>1</b>	0
Selling and distribution expenses		<b>0</b>	0
General and administrative expenses	3	<b>(1,224)</b>	(1,415)
Operating loss		<b>(852)</b>	(1,415)
Finance costs	4	<b>(3)</b>	(2)
Loss before taxation		<b>(855)</b>	(1,417)
Taxation	5	<b>0</b>	0
Loss attributable to shareholders		<b>(855)</b>	(1,417)
Interim dividend per share	6	<b>0</b>	0
Loss per share – basic	7	<b>(0.16 cents)</b>	(0.28 cent)

## STATEMENT OF CHANGES IN EQUITY AND RESERVES

Three months ended 30 June 2004

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
As at 1 April 2003	4,230	39,419	(52)	-	(13,683)	29,914
Shares issued	846	846	-	-	-	7,614
Share premium	-	7,614	-	-	-	(1,417)
Loss for the period	-	-	-	-	(1,417)	(1,417)
<b>As at 30 June 2003</b>	<b>5,076</b>	<b>47,033</b>	<b>(52)</b>	<b>-</b>	<b>(15,100)</b>	<b>36,957</b>
As at 1 April 2004	5,076	46,842	(74)	(1)	(48,304)	3,539
Loss for the period	-	-	-	-	(855)	(855)
<b>As at 30 June 2004</b>	<b>5,076</b>	<b>46,842</b>	<b>(74)</b>	<b>(1)</b>	<b>(49,159)</b>	<b>2,684</b>

Notes:

### 1. Group reorganisation and basis of presentation

The unaudited consolidated results of the Group for the three months ended 30 June 2004 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 accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants and 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 2004.

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:

	Three months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Sale of goods	<u>2,067</u>	<u>0</u>
Other revenues		
Sundry income	<u>1</u>	<u>0</u>
	<u>1</u>	<u>0</u>
Total revenues	<u>2,068</u>	<u>0</u>

### 3. Operating costs

	Three months ended	
	30 June	
	2004	2003
	HK\$'000	HK\$'000
Cost of sales	1,696	0
Depreciation – owned assets	1	4
Staff cost		
– directors salaries and allowances	346	212
– staff salaries and allowances	630	66
– retirement scheme contributions	40	26
	<u>          </u>	<u>          </u>

### 4. Finance costs

	Three months ended	
	30 June	
	2004	2003
	HK\$'000	HK\$'000
Bank charges	2	2
Bank interest	1	0
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </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 2003.

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 (2003: Nil).

### 7. Loss per share

The calculation of the basic loss per share for the three months ended 30 June 2004 is based on the unaudited consolidated loss attributable to shareholders of HK\$854,721 and (2003: HK\$1,417,957) and the weighted average number of 507,600,000 (2003: 465,300,000) ordinary shares outstanding during the period.

No diluted loss per share for the three months ended 30 June 2004 and the corresponding period in 2003 is presented because there were no dilutive potential ordinary shares in existence during the period.

## **BUSINESS REVIEW**

During the three months ended 30 June 2004, the turnover of the Group was approximately HK\$2,067,000 (2003: nil) and the loss attributable to shareholders was approximately HK\$855,000 (2003: HK\$1,417,000). Loss per share was approximately 0.16 HK cents (2003: 0.28 HK cents).

On 10 September 2003, the Group completed negotiations with MQ Services Pty Limited ("MQ Services") and entered into a franchise agreement with them. MQ Services 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 was expected to open a retail outlet for the Group's garment products in a shopping mall located in Melbourne, Australia, early in 2004. However, the opening of the retail outlet has been delayed due to a number of unexpected factors, including a change in the shop space assigned to the retail outlet, changes in shop design as well as delays in identifying suitable staff to commence operations. The Group is working closely with MQ Services to overcome these challenges.

On 31 December 2003, the Group completed negotiations with Tagalder International, Inc. ("Tagalder") and entered into a master franchise agreement with them. Under the terms of the master franchise agreement, Tagalder will be the master franchisee of the Group in the PRC, Hong Kong and Macau. The Group understands that Tagalder has engaged an interior design firm to commence design work on the new store and that it is finalizing the location of the first store in Guangzhou, the PRC.

Last year, 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. The Directors note that the Group's capabilities in building and supporting its garment product distribution network have been substantially strengthened with the addition of Concepts Only Limited to the Group and the Group continues to support the development of the business of Concepts Only Limited. Recent new customers for the garment design, development and sourcing business of Concepts Only Limited include well-known UK brands such as *Marks & Spencer*, *Laura Ashley*, *Matthew Williamson*, *Kookai* and *Jenny Packham*.

## **FUTURE PROSPECTS**

The Group believes that there are new business opportunities for the Group within the Asia-Pacific region. In addition to the franchise business of the Group, the Group is also seeking additional business opportunities for the Group, including further acquisitions, in order to substantially bolster the business and financial position of the Group.

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND DEBENTURES**

As at 30 June 2004, 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%
Mr. Chiang Wee Tiong	Corporate (Note 2)	138,846,000	27.35%

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. Chiang Wee Tiong held shares through the following companies:

Company name	Percentage control	Number of shares	Percentage of issued share capital
Even More Profits Limited	100%	124,990,000	24.62%
Soundtrade International Limited	100%	9,464,000	1.86%
Paulon Assets Limited	50%	4,392,000	0.8%
Quest Asset Management (Holdings) Limited	50%	4,392,000	0.8%

Mr. Chiang Wee Tiong became a director on 24 February 2004.

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 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 30 June 2004, 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 and in the section entitled "Interests and short positions of shareholders", none of the Directors or their associates had, as at 30 June 2004, 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.

## DIRECTORS' AND CHIEF EXECUTIVES' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save for the share option scheme disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executive 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, chief executive or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any of such right.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2004, 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 ( <i>Note 1</i> )	161,750,000	31.87%
Even More Profits Limited ( <i>Note 2</i> )	124,990,000	24.62%
Ms. Tan Gek Huang ( <i>Note 3</i> )	138,846,000	27.35%

*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. Such interest of Mr. Wan, a director, has been disclosed in the section above entitled "Directors' interests and short positions in shares and debentures".

*Note 2:* Even More Profits Limited is a private company wholly owned by Mr. Chiang Wee Tiong. Such interest of Mr. Chiang, a director, has been disclosed in the section above entitled "directors' interests and short positions in shares and debentures".

*Note 3:* Ms. Tan Gek Huang is the wife of Mr. Chiang Wee Tiong and is deemed to be a substantial shareholder by virtue of her spousal relationship with Mr. Chiang and her control of 50% of Paulon Assets Limited and Quest Asset Management (Holdings) Limited. Reference should be made to the details of the interests of Mr. Chiang disclosed in the section above entitled "directors' interests and short positions in shares and debentures".

## INTERESTS AND SHORT POSITIONS OF OTHER PERSONS

As at 30 June 2004, no other persons or corporations (other than those already disclosed above) 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.

## COMPETING INTERESTS

As at 30 June 2004, 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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three months ended 30 June 2004, 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, Mr. Terry Ian Butcher and Mr. Vincent Yu. Mr. Terry Ian Butcher 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  
**Chan Kwok Choi**  
*Company Secretary*

Hong Kong, 13 August 2004

As at the date thereof, the Board comprises the following directors:

*Executive Directors*

Mr. Wan Chi Keung  
Mr. Koh Ee Woon John  
Ms. Luk Siu Hung  
Mr. Chiang Wee Tiong

*Independent non-executive Directors*

Mr. Terry Ian Butcher  
Mr. Vincent Yu