



WANASPORTS HOLDINGS LIMITED
(威倫堡控股有限公司*)

(incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF 2003 RESULTS

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This announcement, for which the directors (the “Directors”) of Wanasports Holdings Limited (the “Company”) collectively and individually accept full 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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for 7 days from the date of its posting.

* For identification purpose

RESULTS

The board of Directors (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2003 as follows:–

| | | For the year ended 31 March | |
|--|-------------|--|--------------------------|
| | <i>Note</i> | 2003 HK\$'000 | 2002 HK\$'000 |
| Turnover | 2 | 9,482 | 13,319 |
| Cost of sales | | (7,059) | (7,042) |
| Gross profit | | 2,423 | 6,277 |
| Other revenues | 2 | 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 | | (28,847) | (10,204) |
| Operating loss | 3 | (28,984) | (10,927) |
| Finance costs | 4 | (24) | (36) |
| Loss before taxation | | (29,008) | (10,963) |
| Taxation | 5 | 152 | (152) |
| Loss attributable to shareholders | | (28,856) | (11,115) |
| Loss per share | | | |
| Basic | 6 | 6.82 cents | 3.05 cents |

Note:

1. Basis of presentation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention except that investment securities are stated at fair value.

In the current year, the following recently-issued and revised Statements of Standard Accounting Practice (“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 |

The adoption of the above new and revised SSAPs has had no material impact on the accounts of the Company for the current and prior accounting periods. Accordingly, no prior period adjustment has been required.

2. 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> |

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 | <u>4,322</u> | <u>–</u> | <u>5,160</u> | <u>9,482</u> |
| Results | | | | |
| Segment results | (13,124) | – | (12,255) | (25,379) |
| Unallocated costs | | | | <u>(3,605)</u> |
| Operating loss | | | | <u>(28,984)</u> |
| As at 31 March 2003 | | | | |
| Assets | | | | |
| Segment assets | 1,588 | – | 100 | 1,688 |
| Unallocated corporate assets | | | | <u>294</u> |
| Combined total assets | | | | <u>1,982</u> |
| Liabilities | | | | |
| Segment liabilities | 569 | – | – | 569 |
| Unallocated corporate liabilities | | | | <u>355</u> |
| Combined total liabilities | | | | <u>924</u> |
| 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 |

| | Hong Kong 2002 HK\$'000 | United States 2002 HK\$'000 | PRC 2002 HK\$'000 | Combined 2002 HK\$'000 |
|---|-------------------------------|-----------------------------------|-------------------------|------------------------------|
| Turnover – external sales | <u>12,704</u> | <u>615</u> | <u>–</u> | <u>13,319</u> |
| Results | | | | |
| Segment results | (9,027) | (327) | – | (9,354) |
| Unallocated costs | | | | <u>(1,573)</u> |
| Operating loss | | | | <u>(10,927)</u> |
| As at 31 March 2002 | | | | |
| Assets | | | | |
| Segment assets | 31,728 | – | – | 31,728 |
| Unallocated corporate assets | | | | <u>771</u> |
| Combined total assets | | | | <u>32,499</u> |
| Liabilities | | | | |
| Segment liabilities | 1,693 | 385 | – | 2,078 |
| Unallocated corporate liabilities | | | | <u>507</u> |
| Combined total liabilities | | | | <u>2,585</u> |
| 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 |

3. Operating loss

The operating loss is stated after charging the following:–

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| 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 | – |

4. Finance cost

| | 2003 <i>HK\$'000</i> | 2002 <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> |

5. 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).

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

6. 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.

7. Dividends

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

8. 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) |
| | <u>39,419</u> | <u>(52)</u> | <u>(13,683)</u> | <u>25,684</u> |
| 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) |
| | <u>39,419</u> | <u>(52)</u> | <u>(42,539)</u> | <u>(3,172)</u> |
| At 31 March 2003 | 39,419 | (52) | (42,539) | (3,172) |

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 as 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 has 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 end of March 2003.

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.

Financial Review

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 approximately HK\$924,000, which mainly comprised of 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 deposits 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 HK\$5.8 million.

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 had two full time employees. The Directors believe that the Group has maintained a good relationship with its employees.

FUTURE PLANS AND PROSPECTS

Looking ahead, in light of the continued economic downturn, the Group has been reviewing its business strategy seriously.

Currently, only two retail outlets operated by franchisee 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 minimise its operating overhead costs and take a measured approach on investing in expansion of business activities until the general economy recovers.

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.

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 throughout the year ended 31 March 2003.

By order of the Board
Wan Chi Keung
Chairman

Hong Kong, 25 June 2003