



WANASPORTS HOLDINGS LIMITED

(威倫堡控股有限公司*)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8020)

RESULTS ANNOUNCEMENT FOR YEAR ENDED 31 MARCH 2004

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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This announcement, 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 of Hong Kong Limited (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 announcement 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 announcement misleading; and (3) 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.

* For identification purpose only

RESULTS

The Board of Directors (the “Board”) of Wanasports Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2004 and the comparative figures of the same period of prior year as follows:

	<i>Note</i>	For the year ended 31 March	
		2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	2	4,740	9,482
Cost of sales		<u>(3,124)</u>	<u>(7,059)</u>
Gross profit		1,616	2,423
Other revenues	2	13	1,038
Selling and distribution costs		–	(831)
Depreciation and amortisation		(625)	(514)
Loss on disposal of fixed assets		(310)	(1,527)
Provision for doubtful debts		(134)	(11,093)
Staff costs		(2,922)	(7,145)
Operating lease rentals in respect of land and buildings		(262)	(2,767)
Other operating costs		<u>(2,906)</u>	<u>(8,568)</u>
Operating loss	3	(5,530)	(28,984)
Finance costs	4	(1)	(24)
Share of loss of an associate		(56)	–
Loss on disposal of subsidiaries		(63)	–
Impairment loss on goodwill		<u>(115)</u>	<u>–</u>
Loss before taxation		(5,765)	(29,008)
Taxation	6	<u>–</u>	<u>152</u>
Loss attributable to shareholders		<u>(5,765)</u>	<u>(28,856)</u>
Loss per share	7	<u>1.15 cents</u>	<u>6.82 cents</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2004

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002	4,230	39,419	(13,683)	(52)	–	29,914
Loss for the year	–	–	(28,856)	–	–	(28,856)
At 31 March 2003	<u>4,230</u>	<u>39,419</u>	<u>(42,539)</u>	<u>(52)</u>	<u>–</u>	<u>1,058</u>
At 1 April 2003	4,230	39,419	(42,539)	(52)	–	1,058
Placement of shares	846	7,614	–	–	–	8,460
Share issuing expenses	–	(191)	–	–	–	(191)
Disposal of subsidiaries	–	–	–	(22)	–	(22)
Exchange realignment	–	–	–	–	(1)	(1)
Loss for the year	–	–	(5,765)	–	–	(5,765)
At 31 March 2004	<u>5,076</u>	<u>46,842</u>	<u>(48,304)</u>	<u>(74)</u>	<u>(1)</u>	<u>3,539</u>

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.

Consolidated loss for the year attributable to shareholders is retained by:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
The Company and its subsidiaries	(5,709)	(28,856)
Associates	<u>(56)</u>	<u>–</u>
	<u>(5,765)</u>	<u>(28,856)</u>

NOTES TO FINANCIAL STATEMENTS

1. Basis of presentation

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the HKSA. The accounts have prepared under the historical cost convention as modified with respect to the measurement of other investments as explained in the respective accounting policies.

In the current year the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice (“SSAP”) 12 “Income taxes” issued by the Hong Kong Society of Accountants (“HKSA”) which is effective for accounting periods commencing on or after 1 January 2003.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous periods, partial provision was made for deferred tax using the profit and loss account liability method, i.e. a liability was recognised in respect of timing differences between taxable profit and accounting profit to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

The adoption of the revised SSAP has had no material impact on the accounts of the Group for the current and prior accounting periods. Accordingly, no prior year adjustment has been required.

2. Turnover and revenues

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are the design, sourcing and distribution of casual wear, sportswear and lifestyle garment products and accessories. Revenues recognised during the year are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover		
Sale of garment products and accessories	4,740	9,482
Other revenues		
Interest income	13	6
Service income from franchisees	–	1,032
	13	1,038
Total revenues	<u>4,753</u>	<u>10,520</u>

3. Operating loss

The operating loss is stated after charging the following:–

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Auditors' remuneration	157	110
Amortisation of intangible assets	520	–
Depreciation of owned fixed assets	62	514
Depreciation of fixed assets held under finance leases	1	–
Net exchange (gain)/losses	(1)	1
Realised gain on disposal of other investments	(10)	–
Staff costs (excluding directors' remuneration)		
– basic salaries and allowance	1,664	4,648
– retirement scheme contributions	45	206
Write off of inventories	–	3,747
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4. Finance costs

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest element of finance leases	1	21
Other loan interest	–	3
	<hr/>	<hr/>
	1	24
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5. Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segments is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

No segment information by business segment is presented as the Group primarily operates in a single business segment which is the design, sourcing and distribution of casual wear, sportswear and lifestyle garment products and accessories.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment asset and capital expenditures are based on the geographical location of the assets.

The following is the analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/ services:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
United Kingdom	3,255	–
United States of America	440	–
Hong Kong	1,045	4,322
PRC, excluding Hong Kong	–	5,160
	<hr/>	<hr/>
	4,740	9,482
	<hr/>	<hr/>

5. Segment information (Continued)

The following is an analysis of the carrying amount of the segment assets by geographical location of assets.

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
United Kingdom	554	–
United States of America	9	–
Hong Kong	4,981	1,882
PRC, excluding Hong Kong	–	100
	<u>5,544</u>	<u>1,982</u>

6. Taxation

	2004 <i>HK\$'000</i>	Group 2003 <i>HK\$'000</i>
Deferred taxation	–	(152)

No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profit during the year (2003: Nil).

No provision for overseas taxation has been made for the year as the subsidiary operating in the UK had no assessable income for UK taxation purpose.

As at 31 March 2004, the Group had unrecognised deferred tax asset of approximately HK\$97,000 (2003: approximately HK\$5,531,000) which represents the tax effect of unused tax losses. Such deferred tax asset was not recognised in the accounts as it is uncertain whether future taxable profits will be available against which deductible temporary differences can be utilised.

As at 31 March 2004 and 2003, the Company had no material unprovided deferred taxation.

7. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$5,765,000 (2003: HK\$28,856,000) and the weighted average number of 500,896,721 (2003: 423,000,000 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 2004.

8. Dividends

No dividends had been paid or declared by the Company during the year (2003: Nil).

BUSINESS REVIEW

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 considered 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 represented 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 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.

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 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 master franchise agreement is for an initial period of five years, and Tagalder International, Inc. will pay a franchise fee to the Group of HK\$300,000. 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.

FUTURE PROSPECTS

There now appears to be the beginning of a general recovery in the economy of Hong Kong. However, retail sentiment continues to be mixed and the Group has no present intention to re-commence retail operations in Hong Kong. The Group believes that there are new business opportunities in the southern part of the PRC, as well as the rest of the Asia-Pacific region, and has actively sought to find franchise partners to work with so as to be able to exploit these opportunities.

The design and sourcing capabilities of Concepts Only Limited have provided a valuable contribution to the Group. The Group's franchise partners will carry garments and accessories designed and sourced by Concepts Only Limited. In addition, Concepts Only Limited's existing garment design, sourcing and distribution business has also continued to develop. The Group will continue to support the development of Concept Only Limited's business into new geographical areas and new business streams.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial resources and liquidity

As at 31 March 2004, shareholders' interests in the Group amounted to approximately HK\$3,539,000. Current assets amounted to approximately HK\$2,916,000, of which approximately HK\$1,073,000 were cash and bank deposits. The Group had current liabilities of HK\$2,005,000, which mainly comprised of trade and other payables and accruals.

The Group's gearing ratio was 0.57 as at 31 March 2004(31 March 2003: 0.53). 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

On 30 April 2003, an aggregate of 84,600,000 new ordinary shares of the Company at a price of HK\$0.10 each were issued to Even More Profits Limited ("EMP") pursuant to a subscription agreement entered into by the Company and EMP on 17 April 2003. These shares were issued upon the completion of the placing of an aggregate of 84,600,000 existing ordinary shares of the Company registered in the name of EMP to not less than six places by CM-CCS Securities Limited ("CM-CCS") as placing agent pursuant to a placing agreement entered into by EMP and CM-CCS on 17 April 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.

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 31 March 2004.

Capital commitments

The Group had no capital commitment for future material investment as at 31 March 2004.

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 has 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 year ended 31 March 2004.

Employee information

During the year ended 31 March 2004, employee costs, excluding Director's emoluments, totalled approximately HK\$1.7 million.

As at 31 March 2004, the Group had eleven full time employees. The Directors believe that the Group has maintained a good relationship with its employees.

Mandatory Provident Fund Scheme

The Group operates two mandatory provident fund schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for all eligible employees of the Group in Hong Kong. The Group's contributions are 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 relevant MPF scheme if their relevant income is more than HK\$4,000 per month. The contributions to the MPF schemes are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF schemes are held separately from those of the Group in an independently administered fund.

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 10% 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.

As at 31 March 2004, no option has been granted or agreed to be granted by the Company under the Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2004, 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 since the Company's listing on GEM in December 2001.

By order of the Board
Wan Chi Keung
Chairman

Hong Kong, 24 June 2004

As at the date of this announcement, the Board comprises the following directors:

Mr. Wan Chi Keung (*Executive Director*)
Mr. Koh Ee Woon John (*Executive Director*)
Ms. Luk Siu Hung (*Executive Director*)
Mr. Chiang Wee Tiong (*Executive Director*)
Mr. Terry Ian Butcher (*Independent Non-Executive Director*)
Mr. Vincent Yu (*Independent Non-Executive Director*)

This announcement will remain on the "Latest Company Announcements" page of the GEM website with the domain name www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.wanasports.net.