



ANNUAL
Report 2004

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WANASPORTS HOLDINGS LIMITED

(威倫堡控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)

* For identification only

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 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 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 full 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 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.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Vincent Yu
 Mr. Terry Ian Butcher

COMPANY SECRETARY

Mr. Chan Kwok Choi, B.Ec, AHKSA

QUALIFIED ACCOUNTANT

Mr. Chan Kwok Choi, B.Ec, AHKSA

COMPLIANCE OFFICER

Mr. Wan Chi Keung

PRINCIPAL BANKERS

Standard Chartered Bank

AUDITORS

Graham H.Y. Chan & Co.
 Certified Public Accountants

AUDIT COMMITTEE

Mr. Terry Ian Butcher (*Chairman*)
 Mr. Vincent Yu

AUTHORISED REPRESENTATIVES

Mr. Wan Chi Keung
 Mr. Chan Kwok Choi

SHARE REGISTRAR AND TRANSFER OFFICE

Principal share registrar and transfer office

Bank of Butterfield International (Cayman) Limited
 Butterfield House
 Fort Street
 P.O. Box 705
 George Town
 Grand Cayman
 Cayman Islands

Hong Kong branch share registrar and
 transfer office

Hong Kong Registrars Limited
 Room 1901-5, 19/F
 Hopewell Centre
 183 Queen's Road East
 Wan Chai
 Hong Kong

REGISTERED OFFICE

Ugland House
 P.O. Box 309
 George Town
 Grand Cayman
 Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

22nd Floor, Onfem Tower
 29 Wyndham Street,
 Central
 Hong Kong

WEBSITE

<http://www.wanasports.net>

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

During the year ended 31 March 2004, the turnover of the Group was approximately HK\$4,740,000 (2003: HK\$9,482,000). Loss before taxation for the same period amounted to HK\$5,765,000 (2003: HK\$29,008,000) and the loss attributable to shareholders was approximately HK\$5,765,000 (2003: HK\$28,856,000). Loss per share was approximately 1.15 HK cents (2003: 6.82 HK 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.

DIVIDEND

The Board does not recommend the payment of final dividends in respect of the year ended 31 March 2004.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

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.

SUSPENSION OF TRADING OF THE COMPANY'S SHARES

Trading of the Company's shares were suspended from 11:22 a.m. on 24 June 2003. The Company is working closely with its financial advisers and the Stock Exchange to achieve the resumption of trading in the shares of the Company at the soonest possible opportunity.

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.

A summary of the liquidity position of the Group as at 31 March 2004 is as follows:

	31 March 2004 <i>HK\$'000</i>	31 March 2003 <i>HK\$'000</i>
Current assets	2,916	1,374
Current liabilities	2,005	924
Net current assets	911	450

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 consolidated 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.

Details of the Group's MPF schemes and the share option scheme are set out in the Directors' Report below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUTURE PLANS AND 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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

From 1 October 2003 To 31 March 2004

	Business objectives as stated in the prospectus dated 4 December 2001 (the "Prospectus")	Actual Business Progress
Product development	To obtain information on market trend of new fall/winter 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. The collections for fall/winter 2004 are being designed
	Commence and complete the design of new items for the new season range of the <i>Chi-Mask</i> collection	The plan of the <i>Chi-Mask</i> 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. The collections for fall/winter 2004 are being designed
<i>Kidswear</i>	Complete design of a new range of kidswear	The Group has not designed or produced any kidswear for the fall/winter 2004 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 such as organizer, photo frame and paper weight	The Group has phased out the other accessories product due to refinements of the business strategy of the Group
<i>Personal care products</i>	Select new items for the 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
<i>Overall production</i>	Commence production of all new products	Except for the <i>Chi-Mask</i> collection series and the kidswear product line, all other production is on schedule

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

From 1 October 2003 To 31 March 2004

	Business objectives as stated in the prospectus dated 4 December 2001 (the "Prospectus")	Actual Business Progress
Distribution	Continue to appoint new franchisees in existing and new target markets as in previous period	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. The Group has also entered into a franchisee agreement with Tagalder International Inc. on 31 December 2003 to develop the PRC franchisee business
	New franchisee outlets: 18	Franchise arrangements with two franchisee outlets (1 in Guangzhou and 1 in Shenzhen) were terminated. As at 31 March 2004, there were no franchisee outlets, though the Group had entered into a franchise agreement with a franchisee in Australia and new franchisee in PRC. See also above
	Total number of franchisee outlets: 70	See above
Sales and marketing	Launch of new product lines	The Group has not designed or produced any kidswear for the fall/winter 2004 season 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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

From 1 October 2003 To 31 March 2004

Business objectives as stated in the prospectus dated 4 December 2001 (the "Prospectus")	Actual Business Progress
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
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
Business development	
Fully launch the website as an online sales channel for the Group's products	The online trading system was suspended. The Group's website currently operates for informative and promotional purposes, and has been revamped

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

From 1 October 2003 To 31 March 2004

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 31 March 2004, details of the application of the net proceeds are as follows:–

	Amount to be used up to 31 March 2004 as disclosed in the Prospectus <i>(HK\$' million)</i>	Actual approximate amount used up to 31 March 2004 <i>(HK\$' million)</i>
Product development	6.9	0.5
Promotion and marketing	9.8	2.7
Distribution	0.5	0.2
Business development	1.9	0.6
General working capital	–	15.1
Total	19.1	19.1

As set out in the Prospectus, it was originally planned that approximately HK\$19.1 million would be used up to 31 March 2004. However, as set out above, up to 31 March 2004, approximately HK\$15.1 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\$8.3 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 31 March 2004, there was approximately HK\$1 million placed at bank as deposits.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wan Chi Keung, aged 48, is the founder, the Chairman and Chief Executive Officer of the Group. Mr. Wan founded the Group in July 1998. Mr. Wan has been responsible for formulating the overall business strategies and corporate development of the Group and overseeing the sales and marketing aspects since the commencement of its business operations. He has attained outstanding recognition in the sports industry. Since 1978, Mr. Wan has been active in the entertainment and movie industry, starring in various movies and television series. He is currently actively involved in the promotion of sports and is a well-respected sports commentator. Mr. Wan is a keen amateur golfer.

Mr. Koh Ee Woon John, aged 35, is an executive Director of the Company. Mr. Koh is a Solicitor of the High Court of Hong Kong and a Solicitor of the Supreme Court of England and Wales. He joined the Group in July 2003 and is involved in the management of the day-to-day operations of the Group. Prior to joining the Group, he worked as a solicitor in the Hong Kong and Singapore offices of two major City of London law firms. He received his Bachelor of Laws (Honours) from the London School of Economics and Political Science, University of London. He is the husband of Mrs. Katherine Padget-Koh, the creative director of the Group and the managing director of Concepts Only Limited.

Ms. Luk Siu Hung, aged 32, is an executive Director of the Company. Ms. Luk joined the Group in October 2003 and is involved in the development of the Group's business in the PRC. Prior to joining the Group, Ms. Luk worked in a number of manufacturing and service-related businesses in the PRC and has accumulated solid experience in factory management and business development in the PRC.

Mr. Chiang Wee Tiong, aged 50, is an executive Director of the Company. Mr. Chiang joined the Group in February 2004 and is involved in the business development of the Group, with particular attention to developing the business of the Group internationally. Mr. Chiang was educated at the University of Manchester Institute of Science and Technology in the United Kingdom. Mr. Chiang also holds a Masters in Business Administration from the University of Liverpool in the United Kingdom. Mr. Chiang has over 20 years experience in international business, finance and fund management. He is currently the chairman of Murchison Holdings Limited, which is listed on the Australian Stock Exchange. He has also been an adviser to a number of foreign governments and a major airline and cargo carrier in the United States.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Terry Ian Butcher, aged 45, is an independent non-executive Director of the Company. He joined the Group in November 2003 and is chairman of the audit committee. Mr. Butcher is a well-known football personality in England and Scotland. He is presently the manager for the Scottish Premier League football club, Motherwell. Mr. Butcher started his career with Ipswich Town Football Club, for which he played over 300 games, and helped them to win the UEFA Cup. Mr. Butcher then transferred to Glasgow Rangers Football Club, where he was captain for the first two of their nine consecutive Scottish League titles. He later joined Coventry City Football Club and Sunderland Athletic Football Club as a player/manager. During his playing career, Mr. Butcher gained 77 international caps playing for England. He played in three World Cup tournaments for England, and was captain of the England team for the 1990 World Cup, where England qualified for the semi-finals.

Mr. Vincent Yu, aged 62, is an independent non-executive Director of the Company. He joined the Group in February 2004 and is a member of the audit committee. Mr. Yu is a graduate of Leeds College of Commerce, Yorkshire, United Kingdom. He is qualified as a Chartered Administrator in Hong Kong and has worked as an executive officer specialising in secretarial, share registration and share portfolio management with the Jardine Matheson group of companies. Mr. Yu has since held similar appointments with a number of public companies in Hong Kong. He currently manages his own portfolio of investments.

SENIOR MANAGEMENT

Mrs. Katherine Padget-Koh, aged 38, is the creative director of the Group and the managing director of Concepts Only Limited. Mrs. Padget-Koh obtained a first-class degree in fashion from Trent University in the United Kingdom in 1989. She has worked in the fashion industry throughout her career and has significant experience in all aspects of clothing design, manufacturing and retailing. Mrs. Padget-Koh is the wife of Mr. John Koh, an executive Director of the Company.

Mr. Chan Kwok Choi, Stanley, aged 40, is a qualified accountant in Hong Kong and Australia. He joined the Group in August 2002 as Financial Controller and Company Secretary. He is responsible for all the financial and secretarial matters of the Group. Mr. Chan has had extensive financial, accounting and secretarial experience prior to joining the Group.

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 15 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 21.

The Directors do not recommend the payment of a dividend.

RESERVES

The movements of the reserves of the Company and the Group during the year are set out in note 23 to the accounts and in the consolidated statement of changes in equity on page 24.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in note 13 to the accounts.

FINANCIAL SUMMARY

The following table summarises the consolidated results, assets and liabilities of the Group for the last four years.

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	4,740	9,482	13,319	–
Loss attributable to shareholders	(5,765)	(28,856)	(11,115)	(2,240)
Total assets	5,544	1,982	32,499	260
Total liabilities	(2,005)	(924)	(2,585)	(2,779)
Net assets/(liabilities)	3,539	1,058	29,914	(2,519)

The results for each of the two years ended 31 March 2002 have been prepared on a combined basis as if the Group structure at the time when the Company's shares were listed on the GEM had been in existence throughout the years concerned.

DIRECTORS' REPORT

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 21 to the accounts.

On 17 April 2003, a substantial shareholder, Even More Profits Limited ("EMP") entered into a placing agreement with CM-CCS Securities Limited ("CM") pursuant to which CM conditionally agreed, on a fully underwritten basis, to place a total of 84,600,000 existing shares of the Company (the "Placing Shares") at a price of HK\$0.10 per share, or failing which itself as principal, to purchase the full amount of the Placing Shares (the "Placing").

On the same date, EMP entered into a subscription agreement with the Company pursuant to which the Company agreed to issue to EMP and EMP agreed to subscribe an aggregate of 84,600,000 new shares of the Company at a price of HK\$0.10 per share (the "Subscription"). The Subscription constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. Details of the Subscription are set out in the circular of the Company dated 14 May 2003.

On 25 April 2003, the Placing was completed. On 30 April 2003, the Subscription was completed and the Company raised approximately HK\$8,260,000.

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 maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time. 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 highest 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.

DIRECTORS' REPORT

DIRECTORS

The Directors for the year ended 31 March 2004 and up to the date of this report were:

Executive Directors

Mr. WAN Chi Keung	
Mr. YAM Tat Wah	(resigned on 1 September 2003)
Mr. CHIU Chun Hung	(resigned on 23 February 2004)
Mr. KOH Ee Woon John	(appointed on 31 July 2003)
Ms. LUK Siu Hung	(appointed on 23 October 2003)
Mr. CHIANG Wee Tiong	(appointed on 24 February 2004)

Independent non-executive Directors

Ms. CHUNG Siu Lung	(resigned on 3 December 2003)
Mr. KAN Wing Fai, Terry	(resigned on 6 May 2004)
Mr. BUTCHER Terry Ian	(appointed on 28 November 2003)
Mr. YU Vincent	(appointed on 20 February 2004)

Mr. Koh Ee Woon John, Ms. Luk Siu Hung, Mr. Chiang Wee Tiong, Mr. Terry Ian Butcher and Mr. Vincent Yu shall retire, at the forthcoming annual general meeting in accordance with Article 99 of the Company's Articles of Association and, being eligible, offer themselves for re-election at the meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Wan Chi Keung, an executive Director, has entered into a service contract with the Company on 1 December 2001 for an initial term of two years from 1 December 2001 and which expired on 30 November 2003. This service contract shall continue thereafter until terminated by either party giving to the other not less than six months' prior written notice.

Mr. Koh Ee Woon John, an executive Director, has entered into a service contract with the Company on 14 June 2004 for an initial term of two years from 1 August 2003 and expiring on 31 July 2005. This service contract shall continue thereafter until terminated by either party giving to the other not less than three months' prior written notice.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has been appointed for an initial term of two years, which is renewed automatically for a further two years. During the term of his appointment, the independent non-executive Director's appointment may be terminated by one month's notice from the Company or the Director in question.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 11 to 12.

DIRECTORS' REPORT

CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 28 to the accounts, no contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BOARD PRACTICES AND PROCEDURES

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND DEBENTURES

As at 31 March 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 (<i>Note 1</i>)	161,750,000	31.87%
Mr. Chiang Wee Tiong	Corporate (<i>Note 2</i>)	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.

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND DEBENTURES (Continued)

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 at 31 March 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 31 March 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 as 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 31 March 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 (Note 1)	161,750,000	31.87%
Even More Profits Limited (Note 2)	124,990,000	24.62%
Ms. Tan Gek Huang (Note 3)	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".

DIRECTORS' REPORT

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 31 March 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.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchase and sales for the year attributable to the Group's major suppliers and customers are as follows:–

Purchases

– the largest supplier	49%
– five largest suppliers combined	99%

Sales

– the largest customer	74%
– five largest customers combined	100%

None of the Directors, their respective associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had interest in the major suppliers or customers noted above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, DBS Asia Capital Limited (the "Sponsor"), as at 31 March 2004, 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 was retained for a fee, as the continuing sponsor of the Company until 31 March 2004.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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.

DIRECTORS' REPORT

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there are no restrictions against such rights under the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated.

MANDATORY PROVIDENT FUND SCHEME

The Group operates two mandatory provident fund schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes 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.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties and comprises the two independent non-executive Directors, Mr. Terry Ian Butcher and Mr. Vincent Yu. Mr. Terry Butcher was appointed as the chairman of this committee on 28 November 2003, replacing Ms. Chung Siu Ling, who resigned as an independent non-executive director on 3 December 2003. The audit committee met one time during the year to review and supervise the group's financial reporting process and internal control system.

AUDITORS

The accounts have been audited by Messrs Graham H. Y. Chan & Co., the auditors of the Company during the period and since the listing of the Company on GEM. A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs Graham H. Y. Chan & Co. as auditors of the Company.

By order of the Board
Chan Kwok Choi
Company Secretary

Hong Kong, 24 June 2004

AUDITORS' REPORT



GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

AUDITORS' REPORT TO THE SHAREHOLDERS OF WANASPORTS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts set out on pages 21 to 47 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Graham H. Y. Chan & Co.
Certified Public Accountants

Hong Kong, 24 June 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2004

	<i>Note</i>	2004 HK\$'000	2003 HK\$'000
Turnover	4	4,740	9,482
Cost of sales		(3,124)	(7,059)
Gross profit		1,616	2,423
Other revenues	4	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		(2,906)	(8,568)
Operating loss	6	(5,530)	(28,984)
Finance costs	7	(1)	(24)
Share of loss of an associate		(56)	–
Loss on disposal of subsidiaries		(63)	–
Impairment loss on goodwill		(115)	–
Loss before taxation		(5,765)	(29,008)
Taxation	8	–	152
Loss attributable to shareholders	9	(5,765)	(28,856)
Loss per share			
Basic	11	1.15 cents	6.82 cents

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2004

	Note	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Fixed assets	13	230	320
Club membership		288	288
Intangible assets	14	2,250	–
Interest in an associate	16	(140)	–
		2,628	608
Current assets			
Short-term investment	17	51	–
Trade receivables	18	1,047	108
Amount due from a director of a subsidiary	28	99	–
Amount due from a related company	28	360	–
Prepayments, deposits and other receivables		275	80
Tax receivable		11	–
Cash and bank balances		1,073	1,186
		2,916	1,374
Current liabilities			
Trade payables	19	799	44
Other payables and accruals		1,173	880
Amount due to an associate		31	–
Obligations under finance leases	20	2	–
		2,005	924
Net current assets		911	450
Total assets less current liabilities		3,539	1,058
Capital and reserves			
Share capital	21	5,076	4,230
Reserves		(1,537)	(3,172)
Shareholders' funds		3,539	1,058

Koh Ee Woon John
Director

Chiang Wee Tiong
Director

BALANCE SHEET AS AT 31 MARCH 2004

	<i>Note</i>	2004 HK\$'000	2003 <i>HK\$'000</i>
Non-current assets			
Fixed assets	13	199	–
Intangible assets	14	2,080	–
Interests in subsidiaries	15	1,121	64
		3,400	64
Current assets			
Short-term investment		51	–
Amount due from a related company	28	360	–
Prepayments and deposits		260	–
Cash and bank balances		1,017	5
		1,688	5
Current liabilities			
Other payable and accruals		862	355
Net current assets/(liabilities)		826	(350)
Total assets less current liabilities		4,226	(286)
Capital and reserves			
Share capital	21	5,076	4,230
Reserves	23	(850)	(4,516)
		4,226	(286)

Koh Ee Woon John
Director

Chiang Wee Tiong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 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	4,230	39,419	(42,539)	(52)	–	1,058
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	5,076	46,842	(48,304)	(74)	(1)	3,539

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	<i>Note</i>	2004 HK\$'000	2003 <i>HK\$'000</i>
Net cash used in operating activities	24	(5,371)	(4,400)
Investing activities			
Purchase of fixed assets		(251)	(430)
Acquisition of intangible assets		(2,600)	–
Acquisition of short-term investment		(51)	–
Proceeds from disposal of fixed assets		3	107
Net cash paid for acquisition of subsidiaries	25	(46)	–
Net cash outflow for the disposal of subsidiaries	26	(72)	–
Interest received		13	6
Net cash used in investing activities		(3,004)	(317)
Financing activities			
Proceeds from new issue of shares		8,460	–
Issuing expenses of new shares		(191)	–
Repayments of capital element of finance leases		(6)	(172)
Repayment of other loans		–	(22)
Net cash from/(use in) financing activities		8,263	(194)
Net decrease in cash and cash equivalents		(112)	(4,911)
Cash and cash equivalents at beginning of year		1,186	6,097
Effect of foreign exchange rate changes		(1)	–
Cash and cash equivalents at end of year		1,073	1,186
Analysis of balances of cash and cash equivalents			
Cash and bank balances		1,073	1,186

NOTES TO THE ACCOUNTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 June 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited since 11 December 2001. The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 15 to the accounts.

2. IMPACT OF REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAP")

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.

3. PRINCIPAL ACCOUNTING POLICIES

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 below. The principal accounting policies adopted are as follows:

(a) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Group, directly or indirectly, controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital, or by way of having power to govern its financial and operating policies so that the Group obtains benefits from their activities.

The results of subsidiaries acquired or disposal of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

NOTES TO THE ACCOUNTS

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of acquired subsidiaries and associates at the date of acquisition.

Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life not exceeding 20 years.

The gain or loss on disposal of a subsidiary or associate includes the unamortised balance of goodwill relating to the subsidiary or associate disposed of to the extent that it has not previously been recognised in the consolidated results.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

(c) Interests in associates

The consolidated profit and loss account includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition in so far as it has not already been amortised, less any identified impairment loss.

(d) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and the title has passed.

Revenue from the sale of services, such as consultancy services, corporate management and commission income, are recognised when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

NOTES TO THE ACCOUNTS

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. They are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:–

Leasehold improvements	20-33%
Furniture and equipment	20%
Office and shop equipment	20%
Computer equipment	20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(f) Club membership

Club membership is not transferable within two years from the date of admission as a member and is stated at cost less provision for impairment.

(g) Intangible asset

Intangible asset other than goodwill represents the cost for acquiring the exclusive cooperation right in a cooperation agreement. It is stated at cost and amortised over five years.

(h) Other investments

Other investments are measured at fair value with unrealised gains and losses included in net profit or loss for the year.

(i) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

NOTES TO THE ACCOUNTS

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first in first out basis, comprises all cost of purchase and other cost incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(l) Trade receivables

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

NOTES TO THE ACCOUNTS

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(n) Taxation

Taxation charged to the profit and loss account comprises current and deferred tax.

Current tax is the expected tax payable on the taxable profit for the year. Individual companies within the Group provided for profits tax on the basis of the company's profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes. The Group's liability for current tax is calculated using tax rate enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the accounts and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the accounting profit nor the tax profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset only when the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE ACCOUNTS

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Translation of foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the consolidated profit and loss account.

On consolidation, the assets and liabilities of overseas subsidiaries are translated to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the average rates for the year. The balance sheets of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserves.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the average exchange rates for the year.

(p) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(q) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to Mandatory Provident Fund, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.
- (iii) The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

NOTES TO THE ACCOUNTS

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(s) Segment reports

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the combination process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

NOTES TO THE ACCOUNTS

4. 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 HK\$'000	2003 HK\$'000
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	4,753	10,520

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

NOTES TO THE ACCOUNTS

5. SEGMENT INFORMATION *(Continued)*

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

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

6. OPERATING LOSS

The operating loss is stated after charging the following:–

	Group	
	2004 HK\$'000	2003 HK\$'000
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

7. FINANCE COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Interest element of finance leases	1	21
Other loan interest	–	3
	1	24

NOTES TO THE ACCOUNTS

8. TAXATION

	Group	
	2004	2003
	HK\$'000	HK\$'000
Deferred taxation	–	(152)

No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profit for 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 liabilities.

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of approximately HK\$3,757,000 (2003: approximately HK\$19,652,000).

10. DIVIDENDS

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

11. 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.

NOTES TO THE ACCOUNTS

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of emolument paid and payable to directors during the year are as follows:–

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees	338	307
Other emoluments:		
Basic salaries, allowances and other benefit in kind	849	1,937
Retirement scheme contributions	26	47
	1,213	2,291

Directors' fees disclosed above were paid to independent non-executive directors.

Two directors resigned during the year and received emoluments of approximately HK\$67,000, and HK\$129,000 respectively for the year ended 31 March 2004 and HK\$234,000 and nil respectively for the year ended 31 March 2003. Two directors resigned during previous year and received emoluments of approximately HK\$414,000 and HK\$119,000 respectively for the year ended 31 March 2003. Three directors were appointed during the year and received emoluments of approximately HK\$428,000, HK\$74,000 and HK\$16,000 respectively. The remaining executive director received of approximately HK\$161,000 for the year ended 31 March 2004 and HK\$1,202,000 for the year ended 31 March 2003.

An independent non-executive director resigned during the year and received emoluments of approximately HK\$108,000 for the year ended 31 March 2004 and HK\$161,000 for the year ended 31 March 2003. Two independent non-executive directors were appointed during the year and received emolument of HK\$18,000 and HK\$51,000 respectively. A remaining independent non-executive director resigned after year end and received emoluments of approximately HK\$161,000 for the year ended 31 March 2004 and HK\$161,000 for the year ended 31 March 2003.

No directors waived or agreed to waive any of their emoluments in respect of the years ended 31 March 2003 and 2004.

- (b) The five highest paid individuals during the year included four (2003: three) directors, details of whose emoluments are set out above. The emoluments payable to the remaining one (2003: two) individuals are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Basic salaries and allowances	194	466
Retirement scheme contributions	6	16
	200	482

NOTES TO THE ACCOUNTS

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) *(Continued)*

The emoluments of the five highest paid individuals fell within the following band:

	Number of individuals	
	2004	2003
Nil to HK\$1,000,000	5	4
HK\$1,000,001 to HK\$1,500,000	–	1

During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

13. FIXED ASSETS

Group	Leasehold improvements <i>HK\$'000</i>	Furniture and fixture <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
Brought forward	–	104	128	309	541
Acquisition of subsidiaries	–	–	49	47	96
Additions at cost	41	23	36	151	251
Disposal of subsidiaries	–	–	–	(13)	(13)
Disposals	–	(104)	(139)	(296)	(539)
Carried forward	41	23	74	198	336
Aggregate depreciation					
Brought forward	–	40	45	136	221
Acquisition of subsidiaries	–	–	21	27	48
Charge for the year	8	4	13	38	63
Eliminated on disposals	–	(40)	(50)	(136)	(226)
Carried forward	8	4	29	65	106
Net book value					
At 31 March 2004	33	19	45	133	230
At 31 March 2003	–	64	83	173	320

As at 31 March 2004, the net book value of fixed assets held by the Group under finance leases included in the total amounts of office equipment amounted to approximately HK\$9,000. As at 31 March 2003, there were no fixed assets held under finance leases.

NOTES TO THE ACCOUNTS

13. FIXED ASSETS (Continued)

Company	Leasehold improvements <i>HK\$'000</i>	Furniture and fixture <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
Additions at cost and carried forward	41	21	36	151	249
Aggregate depreciation					
Charge for the year and carried forward	8	4	8	30	50
Net book value					
At 31 March 2004	33	17	28	121	199

14. INTANGIBLE ASSETS

Group	Goodwill <i>HK\$'000</i>	Exclusive cooperation right <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
Addition	327	2,600	2,927
	<i>(note (i))</i>	<i>(note (ii))</i>	
Accumulated amorisation and impairment loss			
Charge for the year	42	520	562
Impairment loss	115	–	115
	157	520	677
Net book value			
At 31 March 2004	170	2,080	2,250

NOTES TO THE ACCOUNTS

14. INTANGIBLE ASSETS (Continued)

Company	Exclusive cooperative right HK\$'000
Cost	
Addition	2,600 <i>(note (ii))</i>
Accumulated amortisation	
Charge for the year	520
Net book value	
At 31 March 2004	2,080

Note:

- (i) The goodwill arose from the acquisition of a subsidiary. Details refer to note 25 below.
- (ii) There is a cooperation agreement ("the Agreement") entered between The Stellar Group Limited ("Stellar"), a company incorporated in England and Quest Capital Markets Limited ("QCM"), a company incorporated in Hong Kong on 19 December 2002 for the cooperation of the two companies on an exclusive basis in the management of sportspeople and the planning and holding of sporting events in the PRC. On 17 April 2003, QCM and the Company entered into an agreement whereby QCM agreed to sign and procure Stellar to sign a novation agreement for the transfer of the exclusive co-operation right with Stellar to the Company at a consideration of HK\$2.6 million. On 7 May 2003, the Company entered into a deed of novation and amendment with QCM and Stellar, pursuant to which the Company assumes all the rights, liabilities and obligations of QCM under the Agreement.

15. INTERESTS IN SUBSIDIARIES – COMPANY

	2004 HK\$'000	2003 HK\$'000
Investment at cost – unlisted shares <i>(note a)</i>	607	107
Amounts due to subsidiaries <i>(note b)</i>	–	(43)
Amount due from subsidiaries <i>(note b)</i>	514	16,249
	1,121	16,313
Less: provision	–	16,249
	1,121	64

NOTES TO THE ACCOUNTS

15. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

(a) The following is a list of the principal subsidiaries of the Company as at 31 March 2004:

Company	Place and date of incorporation	Issued and fully paid up capital	Attributable equity interest	Principal activities and place of operation
Shares held directly:-				
Wanasports Group Limited	British Virgin Islands 12 June 2001	Ordinary US\$10,000	100%	Investment holding in Hong Kong
Colonial Ventures Limited	British Virgin Islands 10 May 2000	Ordinary US\$1	100%	Investment holding in Hong Kong and United Kingdom
Shares held indirectly:-				
Loyalty Enterprise Limited	Hong Kong 4 February 1998	Ordinary HK\$100	100%	Investment holding in Hong Kong
Full Class Management Limited	British Virgin Islands 22 February 2001	Ordinary US\$1	100%	Investment holding in Hong Kong
Wanasports Holdings (B.V.I.) Limited	British Virgin Islands 18 May 2001	Ordinary US\$10,000	100%	Investment holding in Hong Kong
Wanasports Management Services Limited	Hong Kong 30 May 2001	Ordinary HK\$2	100%	Holding of a club membership in Hong Kong
Concepts Only Limited	Hong Kong 27 March 1998	Ordinary HK\$100	100%	Fashion design, sourcing and distribution of casual wear, sportswear and lifestyle garment products and accessories in Hong Kong
Concepts Only (UK) Limited	United Kingdom 7 October 2003	Ordinary GBP100	100%	Dormant

The above includes the subsidiaries of the Company, which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(b) Amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE ACCOUNTS

16. INTEREST IN AN ASSOCIATE – GROUP

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Share of net liabilities	(140)	–

At 31 March 2004 the Group held shares in the following associate:

Company	Place and date of incorporation	Issued and fully paid up capital	Attributable equity interest	Principal activities and place of operation
CFL Concepts Limited	Hong Kong	Ordinary HK\$100,000	30%	General trading in Hong Kong

17. SHORT-TERM INVESTMENT – GROUP

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Equity, listed in Hong Kong, at fair value	51	–

18. TRADE RECEIVABLES – GROUP

The Group normally grants credit period ranging from 30 days to 60 days to its trade debtors. As at 31 March 2004, the ageing analysis of trade receivable was as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
0-3 months	828	3,040
4-6 months	352	8,161
	1,180	11,201
Less: provision for doubtful debts	(133)	(11,093)
	1,047	108

19. TRADE PAYABLES – GROUP

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
0-3 months	431	44
4-6 months	368	–
	799	44

NOTES TO THE ACCOUNTS

20. OBLIGATION UNDER FINANCE LEASES

	Minimum lease payment	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Amount payable		
Within one year	3	–
Future finance charges	(1)	–
	<hr/>	<hr/>
Present value of lease obligations	2	–

21. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
As at 31 March 2004 and 2003	50,000,000,000	500,000
	<hr/>	<hr/>
<i>Issued and fully paid:</i>		
As at 1 April 2002 and 2003	423,000,000	4,230
Placing of new shares	84,600,000	846
	<hr/>	<hr/>
As at 31 March 2004	507,600,000	5,076

On 30 April 2003, an aggregate of 84,600,000 new ordinary shares of the Company at a price of HK\$0.10 (the "Price") 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 placees 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 Price represents a discount of about 4% to the closing price of HK\$0.104 per share as quoted on the Stock Exchange on 16 April 2003, being the last trading day prior to the suspension of trading in the shares pending the issue of the announcement and a premium of about 21% to the average closing price of about HK\$0.0826 per share as quoted on the Stock Exchange for the ten consecutive trading days ending on 16 April 2003.

The net proceeds raised of approximately HK\$8,260,000 by way of issuing 84,600,000 new shares through this top-up placement were used as to HK\$2.6 million applied in paying the consideration under a novation agreement dated 17 April 2003 between Quest Capital Markets Limited and the Company and the balance of HK\$5,660,000 as general working capital for the Group.

NOTES TO THE ACCOUNTS

22. EMPLOYEE BENEFITS

The Group operates two Mandatory Provident Fund schemes ("the MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, the employer and its employees are each required to make contributions to the schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the schemes vest immediately. Contributions totalling HK\$30,000 (2003: HK\$9,000) were payable to the MPF Schemes at the year end and are included in other payables.

The Company has adopted a share option scheme (the "Scheme") on 20 November 2001 to grant options to selected persons as incentives or rewards for their contribution to the Group. Under the terms of the Scheme, the directors may, at their discretion, invite any employees, executive directors of the Group or any consultants, suppliers or customers of the Group to take up options to subscribe for shares of Company at an exercise price determined by the board of directors and shall not be less than the highest of (i) the closing price of the shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the shares on the date of grant. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time. 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.

No share options were granted under the Scheme since its adoption.

23. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 24 of the accounts.

Company	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002	16,505	(1,369)	15,136
Loss for the year	–	(19,652)	(19,652)
At 31 March 2003	16,505	(21,021)	(4,516)
At 1 April 2003	16,505	(21,021)	(4,516)
Placing of shares	7,614	–	7,614
Share issuing expenses	(191)	–	(191)
Loss for the year	–	(3,757)	(3,757)
At 31 March 2004	23,928	(24,778)	(850)

NOTES TO THE ACCOUNTS

23. RESERVES (Continued)

- (i) Under section 34 of the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the share premium unless, immediately following the date on which the distribution of dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.
- (ii) As at 31 March 2004, the Company had no reserve available for distribution.

24. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH USED IN OPERATING ACTIVITIES

	2004 HK\$'000	2003 HK\$'000
Loss before taxation	(5,765)	(29,008)
Adjustments for:		
Interest element of finance leases	1	21
Other loan interest	–	3
Interest income	(13)	(6)
Depreciation of owned fixed assets	62	514
Depreciation of fixed assets held under finance leases	1	–
Amortisation of intangible assets	562	–
Impairment loss on goodwill	115	–
Loss on disposal of subsidiaries	63	–
Share of loss of an associate	56	–
Loss on disposal of fixed assets	310	1,527
Operating loss before working capital changes	(4,608)	(26,949)
Decrease in inventories	–	6,011
(Increase)/decrease in trade receivables and other receivables, including amounts due from a director of a subsidiary and a related company	(257)	10,605
(Increase)/decrease in prepayment and deposits	(185)	6,875
Decrease in trade payables, other payables, accrued charges and amount due to a director	(340)	(918)
Increase in amount due to an associate	49	–
Net cash used in operations	(5,341)	(4,376)
Interest element of finance leases	(1)	(21)
Hong Kong profits tax paid	(29)	–
Other loan interest	–	(3)
Net cash used in operating activities	(5,371)	(4,400)

NOTES TO THE ACCOUNTS

25. ACQUISITION OF SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Cash and bank balances	454	–
Fixed assets	48	–
Interest in an associate	(84)	–
Amount due from an associate	18	
Trade and other receivables	1,136	
Prepayment	10	
Trade and other payables	(1,388)	–
Provision for taxation	(19)	
Amount due from a director	5	
Obligations under finance leases	(7)	–
	173	–
Goodwill	327	–
Total consideration	500	–

The analysis of net outflow of cash and cash equivalents in respect of the acquisition is as follows:

	2004 HK\$'000	2003 HK\$'000
Cash consideration paid	(500)	–
Cash and bank balances acquired	454	–
Net outflow of cash and cash equivalents	(46)	–

The subsidiaries acquired during the year contributed approximately HK\$4,740,000 to the Group's turnover, and HK\$318,000 to the Group's operating loss.

NOTES TO THE ACCOUNTS

26. DISPOSAL OF SUBSIDIARIES

	2004 HK\$'000	2003 <i>HK\$'000</i>
Cash and bank balances	172	–
Fixed assets	13	–
	185	–
Merger reserve	(22)	–
Loss on disposal	(63)	–
Total consideration	100	–

The analysis of net outflow of cash and cash equivalents in respect of the disposal is as follows:

	2004 HK\$'000	2003 <i>HK\$'000</i>
Cash consideration received	100	–
Cash and bank balances disposed of	(172)	–
Net outflow of cash and cash equivalents	(72)	–

27. COMMITMENTS UNDER OPERATING LEASES

As at 31 March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and building, falling due as follows:–

	2004 HK\$'000	2003 <i>HK\$'000</i>
Not later than one year	395	300
Later than one year and not later than five years	98	113
	493	413

NOTES TO THE ACCOUNTS

28. RELATED PARTY TRANSACTIONS

Group	2004 HK\$'000	2003 <i>HK\$'000</i>
During the year		
Consultancy fee income received from an associate	350	–
At the balance sheet date		
Amount due from		
Katherine Ellanor Padget-Koh (<i>note a</i>)	99	–
Quest Securities Limited (<i>note b</i>)	360	–
Company	2004 HK\$'000	2003 <i>HK\$'000</i>
At the balance sheet date		
Amount due from Quest Securities Limited (<i>note b</i>)	360	–

Notes:

- (a) The amount represents expenses paid on behalf of a director of a subsidiary of the Company, Mrs. Katherine Ellanor Padget-Koh. The amount was mainly incurred prior to the acquisition of the subsidiary by the Company. Mrs. Koh is also the wife of Mr. Koh Ee Woon, John, an executive director of the Company. The amount was subsequently settled on 16 June 2004.
- (b) The amount represents the proceeds receivable from Quest Securities Limited, acting as financial intermediary, for the disposal by the Company of an investment in debt securities. Mr. Chiang Wee Tiong, a director of the Company, has a beneficial interest in the Quest Securities Limited. The amount was subsequently settled on 4 June 2004.

29. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

30. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 24 June 2004.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Wanasports Holdings Limited (the "Company") will be held at the Central Conference Centre, 4th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong on 30 July 2004 at 3:30 p.m. for the following purposes:–

1. To receive and consider the audited consolidated financial statements and the reports of the Directors and auditors for the year ended 31 March 2004.
2. To re-elect the retiring Directors and to authorise the board of Directors to fix their remuneration.
3. To re-appoint the auditors of the Company and to authorise the board of Directors to fix their remuneration.
4. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution of the Company:–

"THAT:–

- (A) subject to paragraph (C) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules"), the exercise by the Directors of the Company (the "Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with (otherwise than by way of rights issue or pursuant to the exercise of options granted under any of the Company's share option schemes or any scrip dividend scheme or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company pursuant to the articles of association of the Company from time to time) additional shares in the share capital of the Company and to make or grant any offers, agreements and options which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) of this resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant any offers, agreements and options which would or might require the exercise of such powers either during or after the end of the Relevant Period (as hereinafter defined);
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (A) above shall not exceed 20% of the aggregate nominal value of the issued share capital of the Company as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

NOTICE OF THE ANNUAL GENERAL MEETING

- (D) for the purposes of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:-
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting;

"rights issue" means the allotment or issue of shares in the Company or other securities which would or might require shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding for such purpose any shareholder who is resident in a place where such offer is not permitted under the laws of that place) and, where appropriate, the holders of other equity securities of the Company entitled to such offer, pro rata (apart from fractional entitlements) to their existing holdings of shares or such other equity securities."

5. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution:-

"THAT:-

- (A) subject to paragraph (B) of this resolution, the exercise by the Directors during the Relevant Period (as defined in resolution 4(D) set out in the Notice of this Meeting) of all the powers of the Company to repurchase the issued shares of the Company on the Stock Exchange or any other stock exchange on which shares in the capital of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the GEM Listing Rules or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved; and
- (B) the aggregate nominal amount of shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (A) of this resolution during the Relevant Period (as defined in resolution 4(D) set out in the Notice of this Meeting) shall not exceed 10% of the aggregate nominal value of the issued share capital of the Company as at the date of the passing of this resolution, and the said approval shall be limited accordingly."

NOTICE OF THE ANNUAL GENERAL MEETING

6. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution:–

“**THAT**, conditional upon the passing of resolutions Nos. 4 and 5 (as set out in the Notice of this Meeting), the unconditional general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with shares of the Company pursuant to resolution No. 4 (as set out in the Notice of this Meeting) be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such unconditional general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution No. 5 (as set out in the Notice of this Meeting), provided that such extended amount shall not exceed 10% of the aggregate nominal value of the issued share capital of the Company as at the date of passing this resolution.”

By order of the board of Directors

Wan Chi Keung

Chairman

Hong Kong, 24 June 2004

Notes:–

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. To be valid, the instrument appointing a proxy and (if required by the board of Directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power a authority, shall be delivered to the Company's share registrar, Hong Kong Registrars Limited, Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
3. Delivery of an instrument appointing a proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.