



RNA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE HALF YEAR ENDED 31ST OCTOBER 2001

The Board of Directors (the “Board”) of RNA Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiary companies (the “Group”) for the six months ended 31st October 2001. The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 31st October	
	Notes	2001 HK\$'000	2000 HK\$'000
TURNOVER	3	5,460,705	3,104,629
COST OF SALES		(5,358,141)	(3,012,842)
GROSS PROFIT		102,564	91,787
Other revenue		8,776	12,577
General and administrative expenses		(59,521)	(58,061)
Selling and distribution expenses		(3,538)	(4,363)
PROFIT FROM OPERATING ACTIVITIES	3, 4	48,281	41,940
Finance costs		(26,629)	(19,962)
Share of profits less losses of associates		917	62
PROFIT BEFORE TAX		22,569	22,040
Tax	5	(2,282)	(675)
PROFIT BEFORE MINORITY INTERESTS		20,287	21,365
Minority interests		1,463	227
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		21,750	21,592
DIVIDEND	6	–	(1,270)
EARNINGS PER SHARE	7	HK cents	HK cents
Basic		0.82	1.59
Diluted		0.72	–

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION – GOING CONCERN

The Interim Financial Statements have been prepared on the assumption that the Group will continue to operate as a going concern notwithstanding the conditions prevailing at 31st October 2001 and subsequently up to the date of approval of the Interim Financial Statements. In the opinion of the directors, the liquidity of the Group can be maintained in the foreseeable future, after taking into consideration several financing measures completed subsequent to 31st October 2001 together with other measures in progress at the date of the Interim Financial Statements. The details of measures will be explained in more details in the interim report to be dispatched to shareholders.

In preparing the Interim Financial Statements, the future liquidity of the Group have been considered taking into account the above circumstances. It is believed that the Group will be able to meet its financial obligations as they fall due in the foreseeable future provided that the bankers and financial creditors continue to extend an ongoing support to the Group until such time as new financing has been obtained and the other aforementioned measures successfully implemented. Accordingly, the Interim Financial Statements for the six months ended 31st October 2001 have been prepared on a going concern basis notwithstanding the conditions prevailing as at 31st October 2001 and up to the date of approval of the Interim Financial Statements.

The Interim Financial Statements do not incorporate any adjustments for the possible failure of the above financing measures and the continuance of the Group as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities, respectively. The effect of these potential adjustments has not been reflected in the Interim Financial Statements.

2. BASIS OF PREPARATION

The Interim Financial Statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting”, issued by the Hong Kong Society of Accountants (the “HKSA”), and the applicable disclosure requirement of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual accounts for the year ended 30th April 2001, except that the following new/revised SSAP's have been adopted for the first time in the preparation of the current period's Interim Financial Statements:

SSAP 14 (Revised) “Leases”

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment is required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases.

SSAP 30 “Business combinations”

In accordance with SSAP 30 which is effective for accounting periods beginning on or after 1st January 2001, goodwill arising from acquisitions is capitalised and is amortised to the profit and loss account on a straight-line basis over its estimated useful life not exceeding 20 years. Any impairment of the goodwill will be recognised as an expense in the profit and loss account.

Previously, goodwill arising on consolidation/acquisition of subsidiaries and associates is eliminated against reserves in the year of acquisition. The Group has complied with SSAP 30 prospectively for the first time in this interim report period.

The Group has taken advantage of the transitional provisions of SSAP 30 by not restating negative goodwill previously taken to reserves in which it arises. The directors consider that the negative goodwill totalling HK\$47,022,000 which was eliminated against reserves prior to 1st May 2000 will be recognised to the profit and loss account when the respective subsidiary or associate is disposed of by the Group.

SSAP 31 “Impairment of assets”

SSAP 31 prescribes the procedures to be applied to ensure the assets are carried at not more than their recoverable amounts. The recoverable amount of an asset is defined to be the higher of its net selling price and its value in use. The Group determines the value in use of its assets as the present value of estimated future cash flows together with estimated disposal proceeds at the end of its useful life. The Group is required to assess at each balance sheet date whether there are any indications that assets may be impaired, and if there are such indications, the recoverable amounts of assets are to be determined. Any resulting impairment losses identified are charged to the profit and loss account.

3. TURNOVER AND CONTRIBUTION

The principal activities of the Group are refining, moulding, wholesaling and trading of gold bullion, the provision of loans and gold bullion financing, wholesaling and retailing of gold ornaments, diamonds and other jewellery products, and provision of internet-based electronic trading system to facilitate trading of precious metals, internet content provider and related operations.

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area for the six months ended 31st October 2001 is as follows:

	Unaudited Turnover Six months ended 31st October		Unaudited Contribution to profit from operating activities Six months ended 31st October	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(i) By principal activity:				
Sales of gold bullion	5,425,595	2,991,385	52,446	8,874
Sales of gold ornaments, diamond and jewellery products	29,850	50,735	(6,170)	1,113
Money lending and bullion financing	5,081	62,364	3,670	39,904
Provision of internet-based electronic trading system to facilitate trading of precious metals and related business	179	145	(1,665)	(7,951)
	<u>5,460,705</u>	<u>3,104,629</u>	<u>48,281</u>	<u>41,940</u>
(ii) By geographical area:				
Hong Kong	4,929,749	2,221,977	42,900	30,387
The People's Republic of China, excluding Hong Kong	409,880	760,885	4,237	9,952
Malaysia	121,076	121,767	1,144	1,601
	<u>5,460,705</u>	<u>3,104,629</u>	<u>48,281</u>	<u>41,940</u>

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is stated after charging:

	Unaudited Six months ended 31st October	
	2001 HK\$'000	2000 HK\$'000
Depreciation	5,977	6,103
Loss on disposal of fixed assets	<u>2,078</u>	<u>104</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

	Unaudited	
	Six months ended 31st October	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax provision	2,282	632
Share of tax attributable to associates	—	43
	<u>2,282</u>	<u>675</u>
Tax charge for the period	<u>2,282</u>	<u>675</u>

No provision for deferred tax has been made as the net effect of all timing differences is insignificant.

6. DIVIDEND

	Unaudited	
	Six months ended 31st October	
	2001	2000
	HK\$'000	HK\$'000
Preference shares, paid, of Nil (2000: HK\$0.05) per share	—	1,270
	<u>—</u>	<u>1,270</u>

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the six months ended 31st October 2001 of HK\$21,750,000 (2000: HK\$21,592,000) less preference dividend of HK\$Nil (2000: HK\$1,270,000) and on the weighted average number of 2,657,694,263 (2000: 1,278,107,672) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period ended 31st October 2001 was based on the adjusted net profit attributable to shareholders of HK\$24,093,000 after adding back interest on convertible notes, net of tax, of HK\$2,343,000 and on the weighted average number of 2,657,694,263 ordinary shares in issue during the period plus 456,019,938 ordinary shares deemed to be issued if all the convertible notes outstanding had been fully converted and 223,730,004 ordinary shares deemed to be issued if all the convertible redeemable preference shares had been converted. The calculation of this weighted average number of shares for diluted earnings per share has taken into account the effect of 10,819,583 convertible redeemable preference shares issued during the period at a notional value of HK\$5.00 each which can be converted into ordinary shares of the Company at an initial conversion price of HK\$0.2418 each. The calculation has not taken into account the ordinary shares deemed to be issued if the outstanding share options had been exercised as the effect is anti-dilutive.

The diluted earnings per share for last period was not shown as the effect was anti-dilutive.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 31st October 2001 (2000: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's turnover for the six months ended 31st October 2001 was HK\$5,461 million, representing a 75.88% increase from HK\$3,105 million for the corresponding period in 2000. Such increase was mainly attributable to the increase in sales volume of bullion trading as a result of the increase in trading activities in international gold market and business activities in Hong Kong and the PRC.

The profit from operating activities posted an increase of HK\$6,341,000 to HK\$48,281,000 (2000: HK\$41,940,000). The unaudited consolidated profit attributable to shareholders for the six months ended 31st October 2001 was HK\$21,750,000 (2000: HK\$21,592,000). The audited consolidated profit attributable to shareholders for the twelve months ended 30th April 2001 was HK\$12,818,000.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st October 2001, the Group had bank and other borrowings of HK\$371,955,000, convertible notes of HK\$129,172,000, gold loan payable of HK\$23,743,000, advances from shareholders of HK\$15,000,000 and promissory note of HK\$39,000,000. Calculated on the basis of the Group's net borrowings after deduction of cash and bank balances of HK\$7,832,000 and gold bullion stock of HK\$72,780,000 over shareholders' funds of HK\$1,316,218,000, the Group had a gearing ratio of 0.379.

The Group had bank loans and overdrafts of HK\$239,513,000 which are principally on a floating rate basis and HK\$200,563,000 of which are repayable within five years. The convertible notes and promissory note bear an interest at 5% per annum and are repayable within one year. Other borrowings of HK\$132,442,000 in the current period were due to non-financial institutions bearing interest principally at the rate of 9% per annum and repayable within one year.

From 1st May 2001 up to the date of approval of the Interim Financial Statements, the Group has successfully undertaken a series of fund raising exercises, the proceeds were used mainly to reduce debts and to provide additional working capital. These transactions are summarised below:

	Proceeds <i>HK\$'000</i>
Placement of 140,000,000 ordinary shares at HK\$0.143 each	19,500
Placement of 883,987,558 ordinary shares at HK\$0.103 each	90,200
Placement of 518,000,000 ordinary shares at HK\$0.101 each	51,600
Issue of 470,000,000 ordinary shares at HK\$0.1 each	47,000
Issue of 2% convertible bonds due January 2005	116,780
Issue of zero coupon convertible bonds due February 2005	40,000
Issue of zero coupon convertible bonds due April 2005	81,420
Issue of zero coupon convertible bonds due May 2005	50,044
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Total proceeds	<u>496,544</u>

Amongst those convertible bonds issued totalling HK\$288,244,000 above, HK\$59,880,000 2% convertible bonds have been converted into 598,800,000 ordinary shares and HK\$171,464,000 zero coupon convertible bonds have been redeemed by way of issuance of 3,429,280,000 ordinary shares up to the date of approval of the Interim Financial Statements.

As at 31st October 2001, the Group had commitments for future minimum lease payments under non-cancellable operating leases of HK\$6,520,000, HK\$5,809,000 of which would fall due within one year and HK\$711,000 would fall due in the second to fifth year inclusive. The Group did not have any material capital commitments and contingent liabilities as at 31st October 2001. In addition, charges on group assets during the period under review did not materially differ from the information described in the last annual report.

REVIEW OF OPERATIONS

HONG KONG: Trasy Gold Ex Limited (“Trasy”) is principally engaged in the provision of services to facilitate the trading of precious metals, including gold, silver, platinum and palladium through a proprietary internet-based real time electronic trading system. Trasy is actively promoting its business in Hong Kong, the PRC and the Asian region through (1) continual recruitment of major international precious metals market makers to become principals of the trading platform and (2) formation of business alliances with financial content providers and internet portals to license its real time precious metals prices and to broadcast market information.

The subscription by the relevant group/related companies of Cheung Kong (Holdings) Limited for 322,000,000 ordinary shares of the Company at HK\$0.10 per share and 67,800,000 redeemable convertible preference shares of par value of HK\$1.00 each was completed in November 2001.

CHINA: The Group has been appointed as a consultant to the Shenzhen Gold Jewellery Building, which is owned by the Shenzhen ART Jewellery Company Limited (“ART”). ART is a comprehensive corporation with the approved licenses for manufacturing, processing, wholesaling of gold ornaments and processing of raw materials and semi-finished products supplied by overseas customers. The scope of service includes consultancy for design, construction, project management and operation management pertaining to the gold and jewellery industry. The establishment and operation of the Shenzhen Gold Jewellery Building is based on the “vertical integration concept” which the Group has successfully implemented in Penang, Malaysia. As Shenzhen is the jewellery manufacturing and trading hub in China and captures over 60% of the national industrial output, the development target of the Shenzhen Gold Jewellery Building is to become the logistic centre for gold and jewellery industry in China.

In September 2001, the Company worked in collaboration with Gold Fields Mineral Services Limited, London and the Gold Economic Centre, Beijing to publish the Chinese edition of “Gold 2001”. This survey is widely acknowledged as the most authoritative analysis of world gold supply and demand and is being used as an important source of reference information by local gold miners, jewellery manufacturers, bankers, economists and government officials in China. In association with Shenzhen Yantian District Government, The Administration of Shatoujiao Free Trade Zone, Shenzhen Gold Jewellery Association and Shenzhen Gold Jewellery Building, the Company also organized the Fifth RNA China Gold and Precious Metals Conference in Shenzhen. The events held in the previous four years and the publication of the gold market survey greatly helped accelerate the process of internationalization of the Chinese gold market.

MALAYSIA: Sales activities were subdued in Malaysia. In view of recovering economy and expansion plan to cover other Asian regions, the Board is confident that contribution from the Malaysian operations will improve in the future.

After the PRC joined the World Trade Organization, it is anticipated that the gold market in the PRC will be liberalized. This will create ample business opportunities in the gold and jewellery industry especially for foreign companies and stimulate trade volume. In view of this, the Group will further reinforce the co-operation and relationship with ART, and explore opportunities to expand in the manufacturing and retail sectors of gold and jewellery industry in the PRC. With the increase in the volatility of international gold prices and trading activities and the Group’s continual efforts in seeking new business opportunities in the PRC and Asian region, the Board is confident that the Group’s results will be improved in the coming years.

REMUNERATION POLICY AND SHARE OPTIONS SCHEME

During the period under review, an additional of 24,000,000 and 88,000,000 share options have been granted on 10th May 2001 and 9th July 2001 respectively to certain Directors and employees of the Group, which have been fully exercised, pursuant to the share option scheme of the Company which was adopted on 8th November 1996 and amended at the special general meeting of the Company held on 31st December 2001. The Group has 180 employees and the total staff cost was HK\$29,776,000 for the six months ended 31st October 2001.

AUDIT COMMITTEE

The Interim Financial Statements have been reviewed by the Audit Committee. The Audit Committee has also reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters.

INTERIM RESULTS PUBLISHED ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) as soon as practicable.

By Order of the Board
RNA Holdings Limited
Chan Fat Chu, Raymond
Chairman

Hong Kong, 31st May 2002

Please also refer to the published version of this announcement in China Daily.