



# RNA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 501)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE HALF YEAR ENDED 31 OCTOBER 2003

The board of directors (the “Board”) of RNA Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 October 2003. 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 Company’s audit committee (the “Audit Committee”).

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

|   |              | <b>Unaudited</b>                   |                 |
|---|--------------|------------------------------------|-----------------|
|   |              | <b>Six months ended 31 October</b> |                 |
|   |              | <b>2003</b>                        | <b>2002</b>     |
|   | <i>Notes</i> | <b>HK\$'000</b>                    | <b>HK\$'000</b> |
| TURNOVER  | 3            | <b>719,156</b>                     | 2,086,241       |
| Cost of sales   |              | <b>(723,436)</b>                   | (2,086,886)     |
| Gross loss  |              | <b>(4,280)</b>                     | (645)           |
| Other revenue   |              | <b>534</b>                         | 15,828          |
| General and administrative expenses                               |              | <b>(24,470)</b>                    | (44,524)        |
| Selling and distribution expenses                                 |              | <b>(479)</b>                       | (1,412)         |
| LOSS FROM OPERATING ACTIVITIES                                    | 4            | <b>(28,695)</b>                    | (30,753)        |
| Finance costs   |              | <b>(8,139)</b>                     | (27,691)        |
| Amortisation of goodwill on acquisition of associates             |              | —                                  | (19,033)        |
| Share of profits and losses of associates                         |              | <b>69</b>                          | 32,832          |
| Share of losses of jointly-controlled entities                    |              | —                                  | (1,603)         |
| LOSS BEFORE TAXATION  |              | <b>(36,765)</b>                    | (46,248)        |
| TAXATION  | 5            | —                                  | (39)            |
| LOSS BEFORE MINORITY INTERESTS                                    |              | <b>(36,765)</b>                    | (46,287)        |
| Minority interests  |              | <b>(3,395)</b>                     | 1,553           |
| NET LOSS FROM ORDINARY ACTIVITIES<br>ATTRIBUTABLE TO SHAREHOLDERS |              | <b>(40,160)</b>                    | (44,734)        |
|   |              | <b>HK cents</b>                    | <b>HK cents</b> |
|   |              |                                    | Restated        |
| LOSS PER SHARE*   | 6            |                                    |                 |
| Basic   |              | <b>(0.26)</b>                      | (3.61)          |

\* As adjusted for the share consolidation completed on 23 January 2003, the basic loss per share for the period ended 31 October 2002 has been adjusted from HK\$0.36 to HK\$3.61.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

## 1. Basis of Presentation — Going Concern

As more fully explained in the announcement dated on 3 November 2004, the Company announced that an agreement for the implementation of a restructuring proposal (the “Proposed Transactions”) has been signed on 11 June 2004. As at the date of approval of the interim financial statements, the Proposed Transactions are still in process.

The completion of the Proposed Transactions will be subject to conditions precedent as set out in the Company’s announcement dated 3 November 2004. In the opinion of the directors, if the Proposed Transactions are successfully implemented, substantially all of the Company’s debts will be discharged and the Company will return to solvency and enhance its business operations for the benefit of creditors and shareholders than they would receive in a winding-up of the Company.

In preparing these accounts, the directors have considered the future liquidity of the Group particularly in light of the above circumstances. On the basis that the Proposed Transactions are successfully completed, the directors are satisfied that it is appropriate to prepare the accounts on a going concern basis. However, the validity of the going concern basis is dependent upon the completion of the Proposed Transactions.

The accounts do not incorporate any adjustments for possible failure of the above Proposed Transactions 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 as current assets and liabilities. The effect of these potential adjustments has not been incorporated in the accounts.

## 2. Principal Accounting Policies

The Interim Financial Statements of the Group are prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and in compliance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and basis of presentation used in the preparation of the Interim Financial Statements are consistent with those used in the audited financial statements for the year ended 30 April 2003, except that the Group has adopted the SSAP 12 (Revised) “Income Taxes” issued by the HKICPA to account for deferred tax which is effective for accounting period commencing on or after 1st January, 2003.

In prior periods, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or receivable in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred taxation is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has no material financial effect on the Group’s prior periods’ net assets and its results for the current or prior accounting periods. Accordingly, no prior and current period adjustment is required.

### **3. Segment Information**

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments by products are as follows:

- (a) the sale of gold bullion;
- (b) the sale of gold ornaments, diamonds and jewellery products;
- (c) money lending and bullion financing;
- (d) provision of an Internet-based electronic trading; and
- (e) corporate and property holding, including general corporate income and expense items.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following table present unaudited revenue, profit/(loss) for the Group's business segments.

|  | Sales of gold bullion |                  | Sales of gold ornaments, diamonds and jewellery products |                | Money lending and bullion financing |              | Provision of an Internet-based electronic trading system |                | Corporate and property holding |                | Eliminations   |                | Consolidated    |                  |
|--|-----------------------|------------------|--|----------------|-------------------------------------|--------------|--|----------------|--------------------------------|----------------|----------------|----------------|-----------------|------------------|
|  | 2003                  | 2002             | 2003   | 2002           | 2003                                | 2002         | 2003   | 2002           | 2003                           | 2002           | 2003           | 2002           | 2003            | 2002             |
|  | HK\$'000              | HK\$'000         | HK\$'000   | HK\$'000       | HK\$'000                            | HK\$'000     | HK\$'000   | HK\$'000       | HK\$'000                       | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000        | HK\$'000         |
| Segment revenue:   |                       |                  |  |                |                                     |              |  |                |                                |                |                |                |                 |                  |
| Sales to external customers                                    | 712,193               | 2,073,395        | 6,627  | 9,262          | 336                                 | 3,482        | —  | 102            | —                              | —              | —              | —              | 719,156         | 2,086,241        |
| Intersegment sales   | —                     | —                | —  | —              | —                                   | —            | 1,723  | 2,267          | —                              | —              | (1,723)        | (2,267)        | —               | —                |
| Other revenue  | —                     | 12,250           | —  | —              | —                                   | —            | —  | 132            | 525                            | 3,435          | —              | —              | 525             | 15,817           |
| Total  | <u>712,193</u>        | <u>2,085,645</u> | <u>6,627</u>   | <u>9,262</u>   | <u>336</u>                          | <u>3,482</u> | <u>1,723</u>   | <u>2,501</u>   | <u>525</u>                     | <u>3,435</u>   | <u>(1,723)</u> | <u>(2,267)</u> | <u>719,681</u>  | <u>2,102,058</u> |
| Segment results  | <u>(19,665)</u>       | <u>(19,387)</u>  | <u>(4,757)</u>   | <u>(2,440)</u> | <u>10</u>                           | <u>(628)</u> | <u>7,064</u>   | <u>(3,841)</u> | <u>(11,356)</u>                | <u>(4,468)</u> | <u>—</u>       | <u>—</u>       | <u>(28,704)</u> | <u>(30,764)</u>  |
| Interest income  |                       |                  |  |                |                                     |              |  |                |                                |                |                |                | 9               | 11               |
| Loss from operating activities                                 |                       |                  |  |                |                                     |              |  |                |                                |                |                |                | (28,695)        | (30,753)         |
| Finance costs  |                       |                  |  |                |                                     |              |  |                |                                |                |                |                | (8,139)         | (27,691)         |
| Share of profits and losses of associates                      |                       |                  |  |                |                                     |              |  |                |                                |                |                |                | 69              | 32,832           |
| Amortisation of goodwill on acquisition of associates          |                       |                  |  |                |                                     |              |  |                |                                |                |                |                | —               | (19,033)         |
| Share of losses of jointly-controlled entities                 |                       |                  |  |                |                                     |              |  |                |                                |                |                |                | —               | (1,603)          |
| Loss before taxation   |                       |                  |  |                |                                     |              |  |                |                                |                |                |                | (36,765)        | (46,248)         |
| Taxation   |                       |                  |  |                |                                     |              |  |                |                                |                |                |                | —               | (39)             |
| Loss before minority interests                                 |                       |                  |  |                |                                     |              |  |                |                                |                |                |                | (36,765)        | (46,287)         |
| Minority interests   |                       |                  |  |                |                                     |              |  |                |                                |                |                |                | (3,395)         | 1,553            |
| Net loss from ordinary activities attributable to shareholders |                       |                  |  |                |                                     |              |  |                |                                |                |                |                | <u>(40,160)</u> | <u>(44,734)</u>  |

#### 4. Loss From Operating Activities

The Group's loss from operating activities is arrived at after charging:

|  | <b>Unaudited</b>                   |                 |
|--|------------------------------------|-----------------|
|  | <b>Six months ended 31 October</b> |                 |
|  | <b>2003</b>                        | <b>2002</b>     |
|  | <b>HK\$'000</b>                    | <b>HK\$'000</b> |
| Staff costs (excluding directors' remuneration): |                                    |                 |
| Wages and salaries                               | <b>8,483</b>                       | 23,038          |
| Depreciation                                     | <b>3,393</b>                       | 5,179           |
| Loss on disposal of fixed assets                 | <b>739</b>                         | 3               |
|  | <u><b>12,615</b></u>               | <u>28,220</u>   |

#### 5. Taxation

No provision for Hong Kong profits tax is made in the interim financial statements as the Group has sustained a loss for the period (2002: nil). No provision for overseas income taxes has been made as the Group operating in these countries were operating at a loss during the period. In 2002, taxation arising in other jurisdictions was calculated at the rates prevailing in the relevant jurisdictions.

|                            | <b>Unaudited</b>                   |                 |
|----------------------------|------------------------------------|-----------------|
|                            | <b>Six months ended 31 October</b> |                 |
|                            | <b>2003</b>                        | <b>2002</b>     |
|                            | <b>HK\$'000</b>                    | <b>HK\$'000</b> |
| Current period provisions: |                                    |                 |
| Hong Kong                  | —                                  | (16)            |
| Elsewhere                  | —                                  | 55              |
|                            | <u>—</u>                           | <u>39</u>       |
| Tax charge for the period  | <u>—</u>                           | <u>39</u>       |

No provision for deferred tax has been made as the net effect of all temporary differences is insignificant (2002: nil).

The revaluation of the Group's investment properties in Hong Kong does not constitute any significant temporary difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

#### 6. Loss Per Share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the six months ended 31 October 2003 of HK\$40,160,000 (2002: HK\$44,734,000) and on the weighted average number of 15,211,199,948 (2002: as restated 1,237,613,508) ordinary shares in issue during the period.

The weighted average number of ordinary shares in 2003 and 2002 for the purposes of calculating the basic loss per share has been retrospectively adjusted for the ten-to-one share consolidation which took place in January 2003.

A diluted loss per share for the period ended 31 October 2003 and 31 October 2002 has not been disclosed because the share options, convertible notes, convertible bonds and redeemable convertible preference shares outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

## **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 31 October 2003 (2002: Nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any listed securities of the Company.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial results**

For the six months ended 31 October 2003, the Group recorded a net loss from ordinary activities attributable to the shareholders of HK\$40.1 million (2002: net loss of HK\$44.7 million).

### **Liquidity and financial resources**

As at 31 October 2003, the Group had net current liabilities of HK\$363 million. The total outstanding indebtedness of the Group amounted to HK\$630 million (excluding trade related liabilities) as at 31 October 2003, which included bank borrowings of HK\$145 million, promissory notes of HK\$60 million, convertible bonds of HK\$395 million and other borrowings of HK\$30 million.

Capital Reduction — The nominal value of the 1,695,489,236 issued shares at the beginning of the period under review was reduced from HK\$1.00 to HK\$0.001 each. As a result, the Company's issued share capital of HK\$1,695,489,236 reduced by HK\$1,693,793,747 to HK\$1,695,489. The entire credit balance of HK\$1,693,793,747 arising from the capital reduction was applied to reduce the accumulated losses of the Company.

Issue of new shares — On 15 July 2003, all Noteholders and certain financial creditors of the Group had entered into subscription agreements with the Company to subscribe for 1,880,404,143 and 15,130,748,994 New Ordinary Shares at a subscription price of HK\$0.02 each respectively. As a result, a total of 17,011,153,137 New Ordinary Shares were issued.

As discussed in note 1 to the interim financial statements, the Group is undergoing debt restructuring. On 30 March 2004, the Board appointed RSM Nelson Wheeler Corporate Advisory Services Limited as Reporting Accountants (the "Reporting Accountants") to assist the Company in preparing a suitable and viable proposal for the restructuring of its indebtedness and the Group's operation. An agreement for the implementation of a restructuring proposal (the "Proposed Transactions") has been signed subsequently on 11 June 2004. The completion of the above Proposed Transactions will be subject to conditions precedent as set out in the Company's announcement dated 3 November 2004. In the opinion of the directors, if the Proposed Transactions are successfully implemented, substantially all of the Company's debts will be discharged and the Company will return to solvency and enhance its business operations for the benefit of creditors and shareholders than they would receive in a winding-up of the Company.

## **Foreign currency exposure**

The Group did not have significant exposure to foreign exchange fluctuation as most of the assets, liabilities and transactions conducted during the period were denominated in Hong Kong dollars, Renminbi or United States dollars.

## **Operating lease arrangements and contingent liabilities**

Details of the Group's operating lease arrangements and contingent liabilities as at 31 October 2003 are disclosed in full in the Interim Financial Statements.

## **Employees**

As at 31 October 2003, the Group had 63 employees and the total staff costs including directors' remuneration amounted to HK\$8 million for the six months ended 31 October 2003.

## **Future prospects**

Upon the completion of the proposed debt restructuring, the Company will primarily be engaged in the provision of consultancy and other services to LOCO HONGKONG LTD in respect of the wholesaling and trading of gold bullion and precious metals pursuant to the consultancy agreement and the supply agreement, details of which are set out in the Company's announcement dated 2 December 2003. The Board believes that the Group's business would benefit from LOCO HONGKONG LTD, which has a strong shareholder profile and financial backing.

## **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.

## **PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

All the information required by paragraphs 46(1) to 46 (6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) as soon as practicable.

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Chan Fat Chu, Raymond and Mr. Chan Fat Leung, Alexander, a non-executive director, namely Mr. Gerard Joseph McMahon, and two independent non-executive directors, namely Mr. Tang Man Ching and Mr. Lim Siang Kai.

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

Hong Kong, 24 December 2004

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