RNA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 501)

ANNOUNCEMENT OF FINANCIAL RESULTS FOR THE YEAR ENDED 30 APRIL 2004

The board of directors (the "Board") of RNA Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 April 2004.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 April 2004

	Notes	2004 HK$'000	2003 HK$'000
TURNOVER	2	**3,766,479**	3,716,881
Cost of sales		**(3,749,442)**	(3,778,618)
Gross profit/(loss)		**17,037**	(61,737)
Other revenue		**6,539**	10,994
General and administrative expenses		**(48,669)**	(145,265)
Selling and distribution expenses		**(1,330)**	(3,040)
Impairment of goodwill		**—**	(5,575)
Impairment of long term investments		**—**	(19,000)
Bad debts written off		**(941)**	(1,177,462)
LOSS FROM OPERATING ACTIVITIES	3	**(27,364)**	(1,401,085)
Finance costs		**(23,973)**	(138,438)
Release of negative goodwill on disposal of a jointly-controlled entity		**—**	10,740
Amortisation of goodwill on acquisition of associates		**—**	(38,066)
Impairment of goodwill on acquisition of associates		**—**	(685,200)
Share of profits and losses of associates		**444**	77,878
Share of losses of jointly-controlled entities		**—**	(1,626)
LOSS BEFORE TAXATION		**(50,893)**	(2,175,797)
TAXATION	4	**—**	53,531
LOSS BEFORE MINORITY INTERESTS		**(50,893)**	(2,122,266)
Minority interests		**(2,282)**	2,297
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(53,175)**	(2,119,969)
		HK cents	*HK cents*
LOSS PER SHARE	5		
Basic		**(0.35)**	(144.80)

NOTES TO THE ACCOUNTS

1. Basis of Presentation

(i) 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 accounts, 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.

(ii) Operating Results, Assets and Liabilities of a Subsidiary

M.A.H.F. Precious Metal Refinery Sdn. Bhd. ("MAHF") is a non-wholly owned subsidiary of the Group and carrying on the business activities of gold refining and precious metal trading in Malaysia. MAHF is under financial difficulties and is a subject of a winding up petition to be heard on 7 January 2005. The preparation of the audited accounts of MAHF is not possible, as in the opinion of the directors, MAHF has and will have no ongoing role in the Group and MAHF does not have the necessary resources to prepare audited accounts for the year ended 30 April 2004. Consequently, the consolidated accounts of the Group incorporating the operating results, assets and liabilities of MAHF are based on the unaudited management accounts which are the only financial information made available to the management of the Group for the purposes of the preparation of the Group accounts. In view of the foregoing, the directors are unable to ensure that the operating results, assets and liabilities of MAHF are fairly stated and have been properly included in the consolidated accounts of the Group.

(iii) Accounting Policies

These accounts have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, other properties and gold bullion.

The Group has adopted the SSAP 12 (Revised) "Income Taxes" issued by the Hong Kong Institute of Certified Public Accountants to account for deferred tax which is effective for accounting period commencing on or after 1 January 2003.

In prior years, 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 and Company's prior years' net (liabilities)/assets and their results for the current or prior years. Accordingly, no prior and current year adjustment is required.

2. Turnover

Turnover represents the net invoiced value of gold bullion, gold ornaments, diamonds and jewellery products sold, after allowance for returns and trade discounts; the value of services rendered; commission and interest income on commodity trading; and interest income received and receivable from the provision of loans and gold bullion financing during the year. An analysis of turnover is as follows:

	2004	2003
	HK$'000	*HK$'000*
Sales of gold bullion	**3,754,841**	3,669,381
Sales of gold ornaments, diamonds and jewellery products	**11,191**	32,465
Money lending and bullion financing	**447**	14,903
Provision of an internet-based electronic trading system	**—**	132
	3,766,479	3,716,881

3. Loss From Operating Activities

The Group's loss from operating activities is arrived at after charging/(crediting):

	2004	2003
	HK$'000	*HK$'000*
Staff costs (excluding directors' remuneration):		
Wages and salaries	**16,865**	28,962
Pension contributions	**829**	1,220
Less: Forfeited contributions	**(1,130)**	(1,187)
Net pension (refunds)/contributions	**(301)**	33
	16,564	28,995
Auditors' remuneration	**888**	2,987
Depreciation	**6,347**	10,803
Loss on disposal of fixed assets	**976**	6
(Surplus)/deficit on revaluation of investment properties	**(3,088)**	12,751
Impairment of fixed assets	**252**	21,103
Impairment of other assets	**—**	930
Minimum lease payments under operating leases on land and buildings	**3,249**	2,561
Exchange losses, net	**—**	438
Net rental income	**(194)**	(3,962)
Interest income	**(5,024)**	(16,149)

In arriving at the Group's loss from operating activities in 2003, an impairment of HK$75,000,000 for non-gold bullion inventories was included in consolidated cost of sales.

4. **Taxation**

No provision for Hong Kong profits tax is made in the accounts as the Group has sustained a loss for the year (2003: Nil). No provision for overseas income taxes has been made as the Group operating in these countries were operating at a loss during the year. In 2003, taxation arising in other jurisdictions was calculated at the rates prevailing in the relevant jurisdictions.

	Group	
	2004	2003
	HK$'000	*HK$'000*
Current year provisions:		
Elsewhere	**—**	55
Prior year overprovisions:		
Hong Kong	**—**	(53,586)
Tax credit	**—**	(53,531)

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate of 17.5% (2003:17.5%) as follows:

	2004	2003
	HK$'000	*HK$'000*
Loss before taxation	**(50,893)**	(2,175,797)
Calculated at a tax rate of 17.5% (2003: 17.5%)	**(8,906)**	(380,764)
Tax effect of income not subject to taxation	**(1,286)**	(16,213)
Tax effect of expenses not deductible for taxation purposes	**2,811**	355,711
Taxation overprovided in prior years	**—**	(53,531)
Tax effect of temporary differences for the year unrecognised	**(846)**	21,401
Tax effect of utilisation of previously unrecognised tax losses	**(148)**	(263)
Tax effect of tax losses unrecognised	**8,375**	20,128
Taxation credit	**—**	(53,531)

5. **Loss Per Share**

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$53,175,000 (2003: HK$2,119,969,000) and on the weighted average number of 15,253,720,496 (2003: 1,464,061,346) ordinary shares in issue during the year.

A diluted loss per share for the year ended 30 April 2004 and 30 April 2003 has not been disclosed because the share options, convertible bonds and redeemable convertible preference shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

CHAIRMAN'S STATEMENT

Financial Results

The Group recorded an operating loss of HK$27 million for the year under review (2003: loss of HK$1,401 million). The audited consolidated net loss attributable to shareholders for the year under review was HK$53 million (2003: loss of HK$2,120 million) and basic loss per share was 0.35 cents (2003: loss of 144.8 cents).

Dividends

The Board of Directors (the "Board") does not recommend payment of a final dividend at the forthcoming Annual General Meeting. During the year, no interim ordinary dividend was declared.

Debt Restructuring

As at the date of this report, the Company is undergoing debt restructuring.

On 30 March 2004, the Board appointed a Reporting Accountant to assist the Company to prepare a suitable and viable proposal for the restructuring of its indebtedness and the Group's operation and to implement the restructuring proposal as efficiently and expeditiously as possible.

Having reviewed and assessed the operations and affairs of the Company and its subsidiaries as well as the magnitude of the claims against the Company, the Reporting Accountant suggested the Company to compromise the claims in order to enable the Company to return to solvency and enhance its business operations for the benefit of Creditors and Shareholders.

The Company has received supports from most of the creditors (approximately 76% of the total indebtedness) for the proposed debt restructuring scheme (as announced on 3 November 2004) and if the scheme is successfully implemented, substantially all of the Company's debts will be discharged and waived. The Board is confident that upon completion of the debt restructuring, the Company would improve its financial position and relatively reduce its financial costs. In addition, it would also be able to re-engineer the financial structure of the Group to focus its resources in exploring new and profitable business opportunities.

Business of the Company Post Debt Restructuring

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group recorded a net loss attributable to shareholders of HK$53 million for the year ended 30 April 2004 (2003: loss of HK$2,120 million).

Liquidity and Financial Resources

The total outstanding indebtedness of the Group amounted to HK$628 million as at 30 April 2004 (2003: HK$629 million) (excluding trade related liabilities), which included bank borrowings of HK$136 million (2003: HK$165 million), convertible notes of HK$ Nil (2003: HK$129 million), promissory notes of HK$60 million (2003: HK$39 million), convertible bonds of HK$393 million (2003: HK$85 million) and other borrowings of HK$39 million (2003: HK$211 million).

Capital Reduction— The nominal value of the 1,695,489,236 issued shares at the beginning of the year 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 note-holders 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 Ordinary shares at a subscription price of HK$0.02 each respectively. As a result, a total of 17,011,153,137 Ordinary shares were issued.

Conversion of convertible bonds — During the period from 15 January 2004 to 17 February 2004, a convertible bond holder served notices to the Company for the conversion of bond principal in the total amount of HK$2,000,000 into ordinary shares in the Company. As a result, a total of 100,000,000 ordinary shares of HK$0.001 each of the Company were issued and allotted at a premium of HK$0.019 each. Further details of the conversion are set out in note 26 to the accounts.

As discussed in the Chairman's Statement and note 1 to the accounts, the Group is undergoing debt restructuring as at the date of this report. 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.

Employees

As at 30 April 2004, the Group had 22 employees and the total staff costs including directors' remuneration amounted to HK$18 million for the year ended 30 April 2004.

REPORT OF THE AUDITORS

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS

We have audited the accounts of the Group for the year ended 30 April 2004 which have been prepared in accordance with accounting principles generally accepted in Hong Kong, other than as set out below.

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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 Institute of Certified Public Accountants, except that the scope of our work was limited as explained below. 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 judgements 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 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. However, the evidence available to us was limited as follows:

Scope limitation — Prior year's audit scope limitations affecting opening balances

Our opinion on the accounts of the Company and the Group for the year ended 30 April 2003 was disclaimed because of the significance of the possible effects of several limitations on the scope of our audit which are further detailed in the report dated 24 December 2004. Accordingly, we are then unable to form an opinion as to whether the accounts gave a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2003 and of the loss and the cash flows of the Group for the year then ended. Therefore, we are unable to express an opinion on the comparatives figures included in these accounts.

Scope limitation — Operating results, assets and liabilities of a subsidiary

As explained by the Directors in note 2(ii) to the accounts, one of the Group's subsidiary, M.A.H.F. Precious Metal Refinery Sdn. Bhd. ("MAHF"), is under financial difficulties and is a subject of a winding up petition to be heard on 7 January 2005. The preparation of the audited accounts of MAHF is not possible, as in the opinion of the directors, MAHF has and will have no ongoing role in the Group and MAHF does not have the necessary resources to prepare audited accounts for the year ended 30 April 2004. Consequently, the operating results, assets and liabilities of MAHF so consolidated in the accounts of the Group are based on its unaudited management accounts for the year ended 30 April 2004. Therefore, adequate audit evidence to satisfy ourselves as to the nature, completeness, appropriateness, classification and disclosure in respect of the transactions undertaken by MAHF as included in the Group's accounts is not available. For the same reasons we have been unable to satisfy ourselves that (i) whether those disclosures which had incorporated the amounts in relation to MAHF, including the analysis of the assets and liabilities attributable to MAHF and the corresponding cash flows arising from the operations of MAHF as included in the cash flow statements, are fairly stated; and (ii) whether those segmental information disclosures in relation to MAHF as shown in note 5 to the accounts are reliable and adequate.

The operating results, assets and liabilities of MAHF consolidated in the Group's accounts as at 30 April 2004 are summarised in note 2(ii) to the accounts.

Any adjustments that might have been found to be necessary in respect of the matters set out above would have a consequential impact on the Group's net loss and cash flows for the year ended 30 April 2004 and on the classification of such items and their related disclosures in the accounts.

Fundamental Uncertainty Relating to the Going Concern Basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2(i) to the accounts concerning the adoption of the going concern basis on which the accounts have been prepared. As explained in note 2(i) to the accounts, the Group has experienced severe financial difficulty for the year and is currently negotiating with potential investors for the purpose of restructuring the Group's indebtedness and revitalising the Group's financial position and business. The accounts have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the measures to be implemented and in process by the Group to improve the financial position and the business of the Group. The accounts do not include any adjustments that would result from the failure of these measures. We consider that the appropriate disclosures have been made but, because of the significant uncertainties relating to the outcome of the debt restructuring are so extreme, we are unable to determine whether the going concern basis used in preparing these accounts is appropriate. Accordingly, we have disclaimed our opinion.

Disclaimer of Opinion

Because of the significance of each of: (i) the possible effect of the limitation in evidence available to us as set out in the basis of opinion section of this report; and (ii) the fundamental uncertainty relating to the going concern basis, we are unable to form an opinion as to whether the accounts give a true and fair view of the state of affairs of the Group and of the Company as at 30 April 2004 and of the loss and cash flows of the Group for the year then ended and as to whether the accounts have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

We have not obtained all the information and explanations that we considered necessary for the purpose of our audit in respect alone of the limitations on our work as set out in the basis of opinion section of this report. We were unable to determine whether proper books of accounts have been kept in respect of the inclusion of the operating results, assets, liabilities of a subsidiary in the Group accounts based on its unaudited management accounts as also referred in the basis of opinion of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year 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.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 30 April 2003, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's byelaws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors of the Company, Messrs. Tang Man Ching and Lim Siang Kai.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock exchange at 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.