

RNA

RNA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 501)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE HALF YEAR ENDED 31 OCTOBER 2004

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 2004. 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

		Unaudited	
		Six months ended	
		31 October	
		2004	2003
	<i>Notes</i>	HK\$’000	<i>HK\$’000</i>
TURNOVER	3	580,385	719,156
Cost of sales		<u>(570,460)</u>	<u>(723,436)</u>
Gross profit/(loss)		9,925	(4,280)
Other revenue		5,279	534
General and administrative expenses		(10,305)	(24,470)
Selling and distribution expenses		<u>(29)</u>	<u>(479)</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	4,870	(28,695)
Finance costs		(10,065)	(8,139)
Share of profits and losses of associates		<u>—</u>	<u>69</u>
LOSS BEFORE TAXATION		(5,195)	(36,765)
TAXATION	5	<u>—</u>	<u>—</u>
LOSS BEFORE MINORITY INTERESTS		(5,195)	(36,765)
Minority interests		<u>(2,430)</u>	<u>(3,395)</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(7,625)</u>	<u>(40,160)</u>
		<i>HK cents</i>	<i>HK cents</i>
LOSS PER SHARE	6		
Basic		<u>(0.04)</u>	<u>(0.26)</u>

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”) was signed on 11 June 2004. As at the date of approval of the Interim Financial Statements, the Proposed Transactions are processing.

Completion of the Proposed Transactions is subject to the conditions precedent as set out in the Company’s announcement dated 3 November 2004. 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. In the opinion of the directors, the Proposed Transactions are likely to result in creditors and shareholders of the Company receiving higher return than they would receive in a winding-up of the Company.

In preparing these Interim Financial Statements, the directors have considered the future liquidity of the Group. On the basis that the Proposed Transactions will be successfully completed, the directors are satisfied that it is appropriate to prepare the Interim Financial Statements on a going concern basis. However, the validity of the going concern basis is dependent upon the completion of the Proposed Transactions.

The Interim Financial Statements do not incorporate any adjustments for the possible failure of the above Proposed Transactions and the winding up of the Company.

Should the Group be unable to continue as a going concern, adjustments will be required 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 these Interim Financial Statements.

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 2004.

3. Segment information

The Group’s operating businesses are 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 sales of gold bullion;
- (b) the sales 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 presents 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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	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	580,298	712,193	—	6,627	86	336	1	—	—	—	—	—	580,385	719,156
Intersegment sales	—	—	—	—	—	—	892	1,723	—	—	(892)	(1,723)	—	—
Other revenue	89	—	—	—	—	—	—	—	5,187	525	—	—	5,276	525
Total	580,387	712,193	—	6,627	86	336	893	1,723	5,187	525	(892)	(1,723)	585,661	719,681
Segment results	(231)	(19,665)	2,828	(4,757)	9	10	5,137	7,064	(2,876)	(11,356)	—	—	4,867	(28,704)
Interest income													3	9
Profit/(loss) from operating activities													4,870	(28,695)
Finance costs													(10,065)	(8,139)
Share of profits and losses of associates													—	69
Loss before taxation													(5,195)	(36,765)
Taxation													—	—
Loss before minority interests													(5,195)	(36,765)
Minority interests													(2,430)	(3,395)
Net loss from ordinary activities attributable to shareholders													(7,625)	(40,160)

4. Profit/(Loss) From Operating Activities

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

	Unaudited Six months ended 31 October	
	2004 HK\$'000	2003 HK\$'000
Staff costs (excluding directors' remuneration):		
Wages and salaries	3,560	8,483
Depreciation	1,846	3,393
Loss on disposal of fixed assets	—	739

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 (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 period.

No provision for deferred tax has been made as the net effect of all temporary differences is insignificant (2003: Nil).

The revaluation of the Group's investment properties in Hong Kong does not constitute any significant temporary differences 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 2004 of HK\$7,625,000 (2003: HK\$40,160,000) and on the weighted average number of 18,806,642,376 (2003: 15,211,199,948) ordinary shares in issue during the period.

A diluted loss per share for the period ended 31 October 2004 and 31 October 2003 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 2004. (2003: 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 2004, the Group recorded a net loss from ordinary activities attributable to the shareholders of HK\$7.6 million (2003: net loss of HK\$40.1 million).

Liquidity and financial resources

As at 31 October 2004, the Group had net current liabilities of HK\$362 million. The total outstanding indebtedness of the Group amounted to HK\$631 million (excluding trade related liabilities) as at 31 October 2004, which included bank borrowings of HK\$136 million, promissory notes of HK\$60 million, convertible bonds of HK\$393 million and other borrowings of HK\$42 million.

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. 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. In the opinion of the directors the Proposed Transactions are likely to result in creditors and shareholders of the Company receiving higher return 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 2004 are disclosed in full in the Interim Financial Statements.

Employees

As at 31 October 2004, the Group had 23 employees and the total staff costs including directors' remuneration amounted to HK\$3.7 million for the six months ended 31 October 2004.

Future prospects

Upon the completion of the Proposed Transactions, 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 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, 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, 28 January 2005

Please also refer to the published version of this announcement in the International Herald Tribune.