



# 139 HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

## FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2003

### AUDITED FINAL RESULTS

The Board of Directors (the "Board") of 139 Holdings Limited (the "Company") announces the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2003 (the "Year") together with comparative figures for the year ended 31 March 2002 as follows:

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the year ended 31 March	
		2003 HK\$'000	2002 HK\$'000
<b>Turnover</b>			
Continuing operations	2a	12,596	28,738
Discontinued operations	2b	84,833	104,927
		<u>97,429</u>	<u>133,665</u>
Cost of Sales		<u>(72,048)</u>	<u>(105,319)</u>
<b>Gross Profit</b>		25,381	28,346
Other revenue and gains	3	4,972	14,866
Selling and distribution costs		(8,800)	(8,573)
Administrative expenses		(35,714)	(40,041)
Other operating expenses		(12,759)	(41,717)
Gain on disposal of subsidiaries relating to discontinued operations		5,943	–
Provisions for impairments in values of investment securities		(8,000)	(12,000)
Gain/(loss) on disposal of other securities		(21,231)	8,001
Unrealised gain/(loss) on other securities		<u>(7,530)</u>	<u>8,388</u>
<b>LOSS FROM OPERATING ACTIVITIES</b>	4	<u>(57,738)</u>	<u>(42,730)</u>
Finance Costs	5	<u>(4,270)</u>	<u>(5,566)</u>
<b>PROFIT / (LOSS) BEFORE TAX</b>			
Continuing operations		(68,249)	(53,166)
Discontinued operations		6,241	4,870
		<u>(62,008)</u>	<u>(48,296)</u>
<b>TAX</b>	6		
Continuing operations		–	–
Discontinued operations		–	–
		<u>–</u>	<u>–</u>

		-	-
<b>LOSS BEFORE MINORITY INTERESTS</b>		<b>(62,008)</b>	<b>(48,296)</b>
Minority interests		<u>110</u>	<u>31</u>
<b>NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<u><b>(61,898)</b></u>	<u><b>(48,265)</b></u>
<b>DIVIDEND</b>	7	<u>-</u>	<u>-</u>
<b>LOSS PER SHARE</b>	8	<u><b>0.72 cents</b></u>	<u><b>0.62 cents</b></u>
- Basic		<u><b>0.72 cents</b></u>	<u><b>0.62 cents</b></u>
- Diluted		<u><b>N/A</b></u>	<u><b>N/A</b></u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Principal Accounting Policies

The Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued and revised by the Hong Kong Society of Accountants for the first time in the preparation of financial statements for the Year. Accordingly certain comparative figures for the prior year ended 31 March 2002 have therefore been restated in order to achieve a consistent presentation.

SSAP 1 (Revised)	:	"Presentation of financial statements"
SSAP11 (Revised)	:	"Foreign currency translation"
SSAP15 (Revised)	:	"Cash flow statements"
SSAP 33	:	"Discontinuing operations"
SSAP 34	:	"Employee benefits"

### 2a. Segmental information

#### (a) Primary reporting format-business segments:

The following tables present audited revenue and results of the Group's continuing and discontinued operations for the Year, together with comparative figures for the previous year ended 31 March 2002 are as follows:-.

#### For the year ended 31 March 2003

	Continuing operations			Discontinued operations	Consolidated HK\$ '000
	Car audio HK\$ '000	Internet HK\$ '000	Corporate & other HK\$ '000	Garment HK\$ '000	
Segment Revenue:					
Sales to external customers	12,596	-	-	84,833	97,429
Other revenue	<u>17</u>	<u>-</u>	<u>6</u>	<u>85</u>	<u>108</u>
Total	<u><b>12,613</b></u>	<u><b>-</b></u>	<u><b>6</b></u>	<u><b>84,918</b></u>	<u><b>97,537</b></u>
<b>Segment results</b>	<u><b>(19,192)</b></u>	<u><b>(8,984)</b></u>	<u><b>(13,791)</b></u>	<u><b>4,111</b></u>	<u><b>(37,856)</b></u>
Gain on disposal of subsidiaries relating to discontinued operations					5,943
Interest income, gains and unallocated revenue					4,864
Unallocated expenses					<u>(30,689)</u>
Loss from operating activities					<u>(57,738)</u>
Finance costs					<u>(4,270)</u>
Loss before tax					<u><b>(62,008)</b></u>
Tax					<u>-</u>
Loss before minority interests					<u><b>(62,008)</b></u>
Minority interests					<u><b>110</b></u>

Net loss from ordinary activities to shareholders (61,898)

For the year ended 31 March 2002

	Continuing operations			Discontinued operations	Consolidated HK\$ '000
	Car audio HK\$ '000	Internet HK\$ '000	Corporate & other HK\$ '000	Garment HK\$ '000	
Segment Revenue:					
Sales to external customers	24,537	4,201	–	104,927	133,665
Other revenue	–	–	7,520	2,068	9,588
Total	<u>24,537</u>	<u>4,201</u>	<u>7,520</u>	<u>106,995</u>	<u>143,253</u>
<b>Segment results</b>	<u>(5,970)</u>	<u>(49,286)</u>	<u>(18,287)</u>	<u>9,955</u>	<u>(63,588)</u>
Gain on disposal of subsidiaries relating to discontinued operations					–
Interest income, gains and unallocated revenue					21,667
Unallocated expenses					<u>(809)</u>
Loss from operating activities					(42,730)
Finance costs					<u>(5,566)</u>
Loss before tax					(48,296)
Tax					–
Loss before minority interests					(48,296)
Minority interests					<u>31</u>
Net loss from ordinary activities to shareholders					<u><u>(48,265)</u></u>

(b) *Secondary reporting format -geographical segments:*

An analysis of the Group audited turnover and results for the Year by geographical segments, together with comparative figures for the previous year ended 31 March 2002 is as follows:–

Group	People's Republic of China("PRC") (including Hong Kong)		United States of America & Europe		Consolidated	
	2003	2002	2003	2002	2003	2002
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Segment Revenue:						
Sales to external customers	<b>84,833</b>	109,128	<b>12,596</b>	24,537	<b>97,429</b>	133,665
Other revenue	<b>91</b>	9,588	<b>17</b>	–	<b>108</b>	9,588
	<u><b>84,924</b></u>	<u>118,716</u>	<u><b>12,613</b></u>	<u>24,537</u>	<u><b>97,537</b></u>	<u>143,253</u>

2b. **Discontinued operations**

On 16 September 2002, the Company entered into a sale and purchase agreement with an independent third party for the disposal of the entire issued share capital in Chaifa Holdings (B.V.I.) Limited, an investment holding company, which held the entire garment, shoes and leather goods business of the Group for a consideration of HK\$17 million in cash (the "Disposal"). The Disposal effectively resulted in the completion of the discontinuance on 14 March 2003.

During the Year, the discontinued operations incurred total operating expenses of HK\$28 million (2002: HK\$26 million) and finance costs of HK\$3.9 million (2002: HK\$5.3 million). There was no carrying amounts of the total assets and liabilities relating to the discontinued operations as at 31 March 2003. The carrying amount of the total assets and liabilities relating to the discontinued operations as at 31 March 2002 was HK\$143 million and HK\$444 million respectively.

3. **Other revenue and gain**

	For the year ended 31 March	
	2003 HK\$ '000	2002 HK\$ '000
Other revenue		
Interest income	3,224	4,916
Rendering of services	–	7,500
Other income	<u>1,716</u>	<u>2,450</u>

	4,940	14,866
Gain		
Gain on disposal of fixed assets	32	—
	<u>4,972</u>	<u>14,866</u>

**4. Loss from operating activities**

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

	For the year ended 31 March	
	2003	2002
	HK\$'000	HK\$'000
Depreciation	7,872	8,474
Impairment of goodwill	5,210	35,039
	<u>5,210</u>	<u>35,039</u>

**5. Finance costs**

	For the year ended 31 March	
	2003	2002
	HK\$'000	HK\$'000
Interest expenses on bank loans, overdrafts and other loans wholly repayable within five years	4,256	5,525
Interest on finance leases	14	41
	<u>4,270</u>	<u>5,566</u>

**6. Tax**

Hong Kong profits tax has not been provided as the Group did not derive any assessable profits arising in Hong Kong during the Year (2002: Nil).

No provision for tax in Mainland China corporate income tax has been made since no assessable profits have been generated by the subsidiaries operating in Mainland China. The other overseas subsidiaries did not generate any profits subject to foreign taxes during the Year (2002: Nil).

**7. Dividend**

The Board has resolved not to pay any final dividend for the Year ended 31 March 2003 (2002: Nil).

**8. 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\$61,898,000 (2002: HK\$48,265,000) and the 8,619,360,478 (2002: weighted average of 7,788,287,273) ordinary shares in issue during the Year.

The diluted loss per share for the Year has not been shown as the exercise prices of the outstanding share options of the Company was greater than the average market price of the Company's shares during the Year, and therefore the share options had no dilutive effect on the basic loss per share for the Year.

A diluted loss per share amount for the year ended 31 March 2002 has not been disclosed, as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

**9. Contingent liabilities**

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:—

	At 31 March	At 31 March
	2003	2002
	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	12,997	50,740
	<u>12,997</u>	<u>50,740</u>

**10. Commitments for the Purchase of Property, Plant and Equipment**

The Group had no material commitments for the purchase of property, plant and equipment during the Year.

**MANAGEMENT DISCUSSION AND ANALYSIS****Business Review**

The Group's turnover for the Year decreased by HK\$36 million, or 27% to HK\$97 million. The loss attributable to shareholders for the Year increased by HK\$14 million, or 28% to HK\$62 million. The Board does not recommend the payment of any final dividend in respect of the Year (2002: nil).

During the Year, the Group has completed its operational restructuring by disposing of its garment, shoes and leather goods business. The Group's car audio business continued to be adversely affected by intense market competition and global economic uncertainties, particularly in the United States. In the face of the uncertain global economic and financial picture for the Year, the Group has been diligently identifying investment opportunities that strategically fit into its diversification moves.

### **Garment, shoes and leather goods business**

In view of the persistent downward price pressures, high incidence of bad debts and stock obsolescence and the highly competitive business environment of retail market, the Board believes that the garment, shoes and leather goods business in the PRC will become more and more competitive. As such, the Group has decided to restructure its existing business operations by disposing of its garment, shoes and leather goods business.

On 16 September 2002, the Group entered into a sales and purchase agreement with an independent third party for the disposal of the entire issued share capital in Chaifa Holdings (B.V.I.) Limited, an investment holding company which held the entire garment, shoes and leather goods business for a consideration of HK\$17 million in cash. The details of which have been provided in announcement dated 17 September 2002. The transaction was completed on 14 March 2003. The gain on the disposal of the discontinued operations was approximately HK\$5.9 million. The Board believes that the disposal will allow the Group to reduce its exposure in the garment and shoes business which suffered significant loss as a result of significant provision for doubtful debts and stock obsolescence.

### **Car audio business**

The sales of car audio products for the Year fell by 56% to HK\$12 million. The segment loss increased from HK\$6.0 million to HK\$19 million. Stripping out the impairment of goodwill HK\$5 million and the provision for doubtful debts of HK\$2 million, the operational loss for this segment was HK\$12 million.

The sharp sales decrease was mainly due to the recent financial restructuring of a major customer in the United States market. This reflected the mounting price pressures, the rapid deteriorating profit margins and intense market competition prevailing in the car audio business as a whole. Due to the sudden outbreak of Iraq war in the second half of the Year, the aggregate market demand for the car audio products has become more stagnant and the inventory stocking remained excessive on retail shelves and at warehouses. Importers and distributors in the markets, in particular, United States continued to substantially reduce the inventory buildup in earnest by slashing future sales orders. This resulted in a cut-throat price competition in the car audio manufacturing market.

Against this backdrop, the Group has taken a course of proactive and remedial initiatives to reduce the incidence of fixed manufacturing overheads. The operational and financial corrective actions taken included trimming down the scale of operations, enhancing the operational efficiency and subcontracting the low-end products to business partners. For the Year, the Group has taken immediate measures to reduce the fixed manufacturing overheads through the cost reduction exercise. Such cost savings was beginning to realize and narrow the increasing operational loss in the year to come.

### **Prospects**

A combination of global economic uncertainties, deceleration of consumption growth and the deflation in the region remains challenging and difficult to the Group for the year to come. After the disposal of the garment, shoes and leather goods business, the Group has reduced its financial exposure in the declining business.

In view of the growing market demand for greater products values and lower cost intensity in the car audio manufacturing business, the Group will continue to make its outsourcing endeavors to achieve cost efficiencies and leverage capabilities of its business partners. In addition, the Group will also strengthen its trading platform to expand the trading and distribution business of car audio and the associated value-added services.

During the Year, the Group has been intensifying its efforts searching across various industries for suitable investment opportunities which will bring in core competence and generate a steady source of income. However, the sudden outbreak of Iraq war and health crisis in the second half of the Year has further jarred the already weakened business confidence and led many firms to reassess and postpone their corporate investment plans. As a result, the progress of negotiating and concluding investment opportunities has been forced to slow down.

Looking forward, the Group will continue to consolidate the existing business and diversify into new solid businesses. To this end, the Board believes that the Group can overcome the challenges and earmark quality investments for business growth in the future.

### **Financial Review**

The loss attributable to shareholders for the Year increased by HK\$14 million to HK\$62 million as compared that of last year. As at 31 March 2003, the Group's net asset value stood at HK\$207 million (31 March 2002: HK\$264 million). The Group's overall liquidity and gearing position was significantly improved as a result of disposal of the debt laden garment shoes and leather goods business

### **Liquidity and Financial Resources**

During the Year, the Group generally financed its operation with internally generated cash flow and banking facilities. The Group's bank and short term deposits as at 31 March 2003 amounted to HK\$21 million (at 31 March 2002: HK\$49 million).

As at 31 March 2003, the total interest bearing bank and other borrowings of the Group maintained at HK\$8 million (at 31 March 2002: HK\$93 million) which are repayable within one year.

As at 31 March 2003, the Group's current ratio was 11.2 times (at 31 March 2002: 2.3 times) based on current assets of HK\$202 million (at 31 March 2002: HK\$336 million) and current liabilities of HK\$18 million (at 31 March 2002: HK\$144 million).

As at 31 March 2003, the banking facilities granted to, a previously wholly-owned subsidiary which was disposed of, during the Year subject to corporate guarantees given to banks by the Company were utilised to the extent of approximately HK\$13 million (at 31 March 2002: HK\$30 million).

#### **Capital Structure**

As at 31 March 2003, the Group's gearing ratio was 4% (at 31 March 2002: 35%) based on the total interest-bearing bank and other borrowings of HK\$8 million (at 31 March 2002: HK\$93 million) and net worth of HK\$207 million (at 31 March 2002: 264 million.).

The Group bank deposit and borrowings are mainly denominated in Hong Kong dollar. Most of Group's sales and purchase are made in United States dollar, Renminbi and Hong Kong dollar. Therefore, the exchange risks exposed to the Group is minimal.

#### **Details of Charges on Assets**

At 31 March 2003, a fixed deposit of HK\$6 million and an unlisted investment fund of HK\$3.9 million were pledged to secure banking facilities granted to the Group.

#### **Material acquisitions and disposals**

During the Year, the Company had no other material acquisition and disposal of other subsidiaries and associates except for the disposal of its entire issued share capital in Chaifa Holdings (B.V.I) Limited, a former wholly-owned subsidiary of the Company.

#### **Employment, Training and Development**

At 31 March 2003, the Group has a total 219 employees of which 26 are based in Hong Kong and 193 based in Mainland China. The Group has committed itself to its staff training and development and structured training programs for all employees.

Remuneration packages are maintained at competitive level and reviewed on a periodic basis. Bonus and share options are awarded to certain employees according to the assessment of individual performance and industry practice.

#### **Code of Best Practice**

In the opinion of the Directors of the Company, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year.

#### **Purchase, Sale or Redemption of Listed Securities**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

#### **Closure of Register of Members**

The Register of Members of the Company will be closed from Thursday, 21 August 2003 to Wednesday, 27 August 2003 (both days inclusive) during which period no transfer of shares will be registered and no shares will be allotted and issued on the exercise of the subscription rights attaching to the outstanding share options granted by the Company.

In order to qualify for attending the Company forthcoming Annual General Meeting to be held on Wednesday, 27 August 2003 all transfer of shares of the Company accompanied by the relevant shares certificates and transfers forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration for not later than 4:30 p.m. on Wednesday, 20 August 2003.

#### **Publication on Exchange's Website**

Information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board  
**Wong Howard**  
*Executive Director*

Hong Kong, 17 July 2003

Please also refer to the published version of this announcement in The Standard dated on 18-07-2003.